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Checklists and illustrative financial statements for not-for-profit organizations : a financial accounting and reporting practice aid, May 1995 edition

American Institute of Certified Public Accountants. Technical Information Division

Anita M. Lyons

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AICPA

**MAY 1995
EDITION**

***Checklists
and Illustrative
Financial Statements
for Not-for-Profit
Organizations***

*A Financial Accounting and
Reporting Practice Aid*

AMERICAN

INSTITUTE OF

CERTIFIED

PUBLIC

ACCOUNTANTS

CHECKLISTS AND ILLUSTRATIVE FINANCIAL STATEMENTS IN THE SERIES

Checklists and Illustrative Financial Statements for Corporations

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- Checklists and Illustrative Financial Statements for Savings Institutions*
- Checklists and Illustrative Financial Statements for State and Local Governmental Units*

AICPA

**MAY 1995
EDITION**

Checklists and Illustrative Financial Statements for Not-for-Profit Organizations

JUL 14 1995

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*A Financial Accounting and
Reporting Practice Aid*

*Edited by
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Technical Manager, Technical Information Division*

*Checklists and Illustrative Financial Statements for
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FSP Section 9000

CHECKLISTS AND ILLUSTRATIVE FINANCIAL STATEMENTS FOR NOT-FOR-PROFIT ORGANIZATIONS

.01 The checklists and illustrative financial statements included in this section are designed to be applied to the not-for-profit organizations covered in SFAS 117, *Financial Statements of Not-For-Profit Organizations*, AICPA Statement of Position 78-10 and to voluntary health and welfare organizations. They are not designed to be applied to the financial statements of colleges, universities, hospitals, or governmental units.

.02 The checklists and illustrative financial statements have been developed by the staff of the Technical Information Division of the AICPA as nonauthoritative technical practice aids. At the request of certain AICPA members, the checklists and illustrative financial statements are also being made available for purchase by AICPA members subject to their recognition of the following:

- The checklists and illustrative financial statements do not include all disclosures and presentation items promulgated. Pronouncements for which the likelihood of applicability to not-for-profit organizations is deemed remote are not included in this document.
- The checklists and illustrative financial statements are “tools” and in no way represent official positions or pronouncements of the AICPA.
- The checklists and illustrative financial statements have been updated to include relevant accounting pronouncements through AICPA Statement on Auditing Standards No. 74, AICPA Statements on Standards for Accounting and Review Services No. 7, FASB Statement of Financial Accounting Standards No. 121, FASB Interpretation No. 41, FASB Technical Bulletin No. 94-1, AICPA Statement of Position 95-1, Practice Bulletin 13, the AICPA Audit and Accounting Guides, *Audits of Certain Non-profit Organizations* and *Audits of Voluntary Health and Welfare Organizations* (with conforming changes as of May 1, 1994¹), and EITF Consensuses adopted up to and including the March 23, 1995 Emerging Issues Task Force meeting. The checklists and illustrative financial statements should be modified, as appropriate, for subsequent pronouncements. In determining the applicability of a pronouncement, its effective date should also be considered.
- In June 1993, the FASB issued Statements of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*, and No. 117, *Financial Statements of Not-for-Profit Organizations*. SFAS 116 changes the accounting for contributions as presently set forth in SOP 78-10, *Accounting Principles and Reporting Practices for Certain Nonprofit Organizations*, and in the AICPA Audit and Accounting Guide, *Audits of Voluntary Health and Welfare Organizations*. SFAS 117 establishes standards for not-for-profit organizations general-purpose external financial statements. SFASs 116 and 117 are effective for financial statements issued for fiscal years beginning after December 15, 1994, except for organizations with less than \$5 million in total assets and less than \$1 million in annual expenses. For those organizations, these Statements are effective for fiscal years beginning after December 15, 1995. Earlier application is encouraged.

¹ The AICPA has released an exposure draft of a proposed Audit and Accounting Guide, *Not-For-Profit Organizations*. The final guide, which is expected to be issued in the second quarter of 1996, will supersede the AICPA Industry Audit Guide, *Audits of Voluntary Health and Welfare Organizations*, the AICPA Audit and Accounting Guide, *Audits of Certain Nonprofit Organizations*, and Statement of Position 78-10, *Accounting Principles and Reporting Practices for Certain Nonprofit Organizations*, as well as an Industry Audit guide and Statement of Position related to colleges and universities.

Note: This publication was extracted from sections 9,000 through 9,700 of the *AICPA Financial Statement Preparation Manual* (FSP).

- Disclosures relating to SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, and SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*, have been incorporated into this edition of the checklist. Icons preceding related disclosures identify whether the practitioner should be following the disclosure. If you are preparing or reporting on financial statements of an organization that has adopted SFAS 116 and 117, complete all disclosure items denoted with a "star". For organizations that have not adopted SFAS 116 and 117, complete all disclosure items with a "diamond". (See the Explanation of References section of this checklist.)
 - The checklists and illustrative financial statements should be used by, or under the supervision of, persons having adequate technical training and proficiency in the application of generally accepted accounting principles, generally accepted auditing standards, and statements on standards for accounting and review services.
 - The checklists and illustrative financial statements do not represent minimum requirements and do not purport to be all-inclusive. The referenced standards should be reviewed if clarification is needed to determine whether the disclosure indicated is required or suggested, and to what extent each disclosure is relevant to the statements being presented.
- .03 Users of the checklists and illustrative financial statements are urged to refer directly to applicable authoritative pronouncements when appropriate. If you have further questions, call the AICPA Technical Hotline.
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FSP Section 9100

Introduction

.01 In June 1993, the FASB issued SFAS 117, *Financial Statements for Not-for-Profit Organizations*,¹ to enhance the relevance, understandability, and comparability of financial statements of not-for-profit organizations. The Statement requires that all not-for-profit organizations provide a statement of financial position, a statement of activities, and a statement of cash flows. These financial statements present the organization's total assets, liabilities, and net assets; the balances of and changes in each of three classes of net assets—permanently restricted, temporarily restricted, and unrestricted; and the change in cash and cash equivalents.

The basic financial statements for organizations that have not adopted SFAS 117 include a balance sheet and a statement of activity (also referred to as a statement of support, revenue, expenses, capital additions, and changes in fund balances, or similar titles), and a statement of cash flows² and/or a statement of functional expenses, depending on whether the organization follows the AICPA Audit and Accounting Guide, *Audits of Certain Nonprofit Organizations*, or the AICPA Industry Audit Guide, *Audits of Voluntary Health and Welfare Organizations*.³ If a reconciliation between beginning and ending fund balances is not included in the statement of activity, a separate statement of changes in fund balances ordinarily would be presented. Many organizations with multiple funds often present comparative totals of all funds for one or more prior periods. The basic financial statements of the current period often are presented on a comparative basis with those of one or more prior periods.

Throughout this checklist, there are references to financial statement titles in disclosure items that apply to statements of organizations that have and have not adopted SFAS 117. In such situations, we have referred only to the financial statement titles prescribed by SFAS 117. If applicable, the titles should be considered equivalent to the prescribed financial statement titles prior to the adoption of SFAS 117. In other words, if you are completing the checklist for an organization that has not adopted SFAS 117 and a disclosure item refers to the "statement of financial position date", you should interpret that statement as the "balance sheet date".

.02 Prior to adoption of SFAS 117, most not-for-profit organizations generally present their expenses classified on a functional basis (according to the purpose for which costs are incurred, such as specific programs and supporting services) with the exception of those receiving no significant support from the general public, which often report expenses by natural classification (i.e., salaries, employee benefits, and purchased services). Upon adoption of SFAS 117, all not-for-profit organizations are required to report expenses on a functional basis. An additional reporting requirement is placed on voluntary health and welfare organizations. Regardless of whether they have adopted SFAS 117, they are required to include a separate statement of functional expenses (which presents information about their expenses by both functional and natural classifications) as part of their general-purpose external financial statements.

.03 A wide variety of users are interested in the financial statements of not-for-profit organizations. Among the principal users are (1) contributors to the organization, (2) beneficiaries of the organization, (3) the organization's trustees or directors, (4) employees of the organization, (5) governmental units, (6) the organization's creditors and potential creditors, and (7) constituent organizations.

¹ See section 9000.02 for a discussion of the effective date.

² Not-for-profit organizations that have not adopted SFAS 117 are not subject to FASB 95, *Statement of Cash Flows*. Therefore, they may present either a statement of changes in financial position or a statement of cash flows.

³ The AICPA Industry Audit Guide, *Audits of Voluntary Health and Welfare Organizations*, states that because the information that would be presented in a statement of changes in financial position as discussed in Accounting Principles Board Opinion No. 19 will, in most cases, be readily apparent from other financial statements, such a statement is generally not required.

.04 A principal purpose of a not-for-profit organization's financial statements is to communicate the ways resources have been used to carry out the organization's objectives. In addition, while adequate measures of program accomplishment generally are not available in the context of present financial statements, the financial statements should identify the organization's principal programs and their costs. A third aspect of financial reporting for not-for-profit organizations is disclosure of the degree of control exercised by donors over use of resources. A fourth aspect is that the financial statements of a not-for-profit organization should help the user evaluate the organization's ability to carry out its fiscal objectives.

.05 Many not-for-profit organizations receive resources restricted for particular purposes. To facilitate observance of limitations, the accounts are often maintained using fund accounting, by which resources are classified for accounting and reporting purposes into funds associated with specified activities or objectives. Each fund is a separate accounting entity with a self-balancing set of accounts for recording assets, liabilities, fund balance, and changes in the fund balance. Although separate accounts are maintained for each fund, the usual practice in preparing financial statements prior to the adoption of SFAS 117 is to group funds that have similar characteristics. Financial statements prepared in accordance with SFAS 117 focus on the organization as a whole rather than on fund balances and changes in fund balances.

How the Checklists Apply to Not-For-Profit Versus Voluntary Health and Welfare Organizations

.06 Users of the checklists will notice that some steps are referenced only to SFAS 117, the audit guide for nonprofit organizations or SOP 78-10, but not to the Voluntary Health and Welfare Organization's guide. Even though the disclosures are not specifically required by the Voluntary Health and Welfare Organization guide, users are advised to consider the appropriateness of including them in voluntary health and welfare organizations' financial statements.

FSP Section 9200

Checklists—General

.01 Many auditors and accountants find it helpful to use checklists as practice aids in the preparation of financial statements and reports. Some firms have developed their own checklists for internal use and may also have specialized checklists to meet the needs of their practices, such as checklists for clients in particular industries or clients that report to the SEC. Some state CPA societies have developed checklists as practice aids that may be available to other practitioners, as well as to their own members. Some commercial publishers also include checklists in certain of their publications. However, authoritative literature does not require the use of such checklists, nor does it prescribe their format or content, which may vary.

.02 Checklists typically consist of a number of brief questions or statements that are accompanied by references to Statements on Auditing Standards, Statements on Standards for Accounting and Review Services, Statements of Financial Accounting Standards, Accounting Principles Board Opinions, Accounting Research Bulletins and Interpretations thereof, and to certain other literature described as “established accounting principles.” The extent of detail included in checklists varies with the judgment of the preparers on how extensively to refer to and highlight authoritative literature without developing a checklist that is too long and unwieldy. Accordingly, checklists may serve as convenient memory aids but cannot be used as a substitute for direct reference to the authoritative literature.

.03 Checklists usually provide for checking off or initialling each question or point to show that it has been considered. The format used herein is a typical one; it provides for “yes,” “no,” and “not applicable” answers and presumes that remarks would be prepared on separate cross-referenced memorandums. Some preparers, however, prefer to include space for remarks in the body of the checklist, while others prefer alternative checklist formats. For example, a checklist format may provide for the following set of answers: “not applicable,” “not material,” “material,” “in statements,” and “in notes” (with provisions for indicating a cross-reference to the specific statement caption or note). Another format may provide for only two answers: “disclosed” and “not applicable.” Firms and practitioners who develop their own checklists should adopt formats that suit their needs and preferences.

.04 Checklists are generally accompanied by caveats that include all of the following points:

- Use of the checklists requires the exercise of individual professional judgment and may likely require some modification based on the circumstances of individual engagements.
- The checklists are not all-inclusive and are not intended to present minimum requirements.
- Users need to modify the checklists for any pronouncements issued subsequent to those mentioned in the checklist.

.05 If widespread circulation is expected, the preparers also generally stress the nonauthoritative or unofficial status of the checklists and disclaim responsibility for the way they may be used.

FSP Section 9300

Financial Statements and Notes Checklist

.01 This checklist has been developed by the staff of the Technical Information Division of the AICPA as a nonauthoritative practice aid.

.02 Explanation of References:

- ★ = Disclosure applicable if applying SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, and/or SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. Note that not all such disclosure items cite a SFAS 116 or SFAS 117 paragraph because provisions in AICPA Audit and Accounting Guides and Statements of Position that are consistent with or are not addressed by SFAS 116 or SFAS 117 remain applicable for organizations that have adopted SFAS 116 and/or SFAS 117. [SFAS 116, par. 2; SFAS 117, par. 3]
- ◆ = Disclosure applicable if SFAS No. 116 and/or SFAS No. 117 have not been adopted.
- AAG-NPR = AICPA Audit and Accounting Guide, *Audits of Certain Nonprofit Organizations* (May, 1994)
- AAG-VHW = AICPA Industry Audit Guide, *Audits of Voluntary Health and Welfare Organizations* (May, 1994)
- SFAS = Statement of Financial Accounting Standards
- FASBI = Financial Accounting Standards Board Interpretation
- APB = Accounting Principles Board Opinion
- ARB = Accounting Research Bulletin
- FTB = Technical Bulletin issued by the staff of the FASB ¹
- SOP = AICPA Statement of Position
- PB = AICPA Accounting Standards Division Practice Bulletin
- EITF = Emerging Issues Task Force Abstracts
- AC = Reference to section number in *FASB Accounting Standards Current Text*
- AU = Reference to section number in *AICPA Professional Standards, Volume I*
- ACC & AUD = Reference to section number if *AICPA Technical Practice Aids, Volume II*
- SAS = Statement on Auditing Standards

.03 Some questions in this checklist do not cite a specific authoritative reference but indicate that the disclosure is generally accepted. Most organizations disclose that information even though a requirement to do so in the authoritative literature cannot be identified.

¹ The FASB staff issues FASB Technical Bulletins to provide guidance concerning the application of FASB Statements or Interpretations, APB Opinions, or Accounting Research Bulletins. FASB Technical Bulletins do not establish new financial accounting and reporting standards or amend existing standards.

This checklist is organized into the sections listed below. Carefully review the topics listed and consider whether they represent potential disclosure items for the not-for-profit organization. Place a check mark by the topics or sections considered not applicable; these sections need not be completed. For example, if the organization does not have any extraordinary items, place a check by "Extraordinary Items" and skip this section when completing the checklist.

*Place ✓ by
Sections Not Applicable*

● General

- A. Titles and References _____
- B. Accounting Policies and Other Disclosures _____
- C. Accounting Changes _____
- D. Comparative Financial Statements _____
- E. Related Entities _____
- F. Business Combinations _____
- G. Consolidated Financial Statements _____
- H. Financial Instruments _____
- I. Derivatives _____
- J. Nonmonetary Transactions _____
- K. Contingencies and Commitments _____
- L. Risks and Uncertainties _____
- M. Related Parties _____
- N. Subsequent Events _____
- O. Pension Plans _____
- P. Postretirement Benefits Other than Pensions _____
- Q. Extraordinary Items _____
- R. Advertising Costs _____
- S. Costs to Exit an Activity _____

● Statement of Financial Position/Balance Sheet

- A. General _____
- B. Cash _____
- C. Investments/Marketable Securities _____
- D. Receivables _____
- E. Inventories _____
- F. Property and Equipment _____
- G. Collections of Works of Art and Similar Items _____
- H. Other Assets and Deferred Charges _____
- I. Interfund Borrowings _____
- J. Current Liabilities _____
- K. Notes Payable and Other Debt _____
- L. Lessee Leases _____
- M. Other Liabilities and Deferred Credits _____
- N. Trust Funds and Gifts of Future Interests _____
- O. Net Assets/Fund Balances _____
- P. Restricted Resources _____

● Statement of Activities/Activity (or Statement of Revenues and Expenses, or Statement of Support and Revenue, Expenses, Capital Additions, and Changes in Fund Balances)

- A. General _____
- B. Fund Accounting _____
- C. Taxes _____
- D. Transfers _____
- E. Third-Party Reimbursements _____
- F. Donated or Contributed Services _____
- G. Donated Materials and Facilities _____
- H. Subscription and Membership Income _____
- I. Fund Raising _____
- J. Contributions _____

*Place ✓ by
Sections Not Applicable*

- K. Gifts of Future Interest _____
- L. Expenses _____
- M. Wills or Trusts _____
- N. Investments and Endowments _____
- Additional Financial Statements
 - A. Statement of Changes in Financial Position _____
 - B. Statement of Cash Flows _____
 - C. Statement of Functional Expenses _____
- Exhibit A—Postretirement Health Care Benefits (for organizations that have not adopted SFAS 106) _____
- Exhibit B—Impairment of Long-Lived Assets _____
- Auditors’ Report _____
- Auditors’ Reports on Audits Performed Under Government Auditing Standards and OMB Circular A-133 _____
- Accountants’ Reports on Compiled or Reviewed Financial Statements _____

.04 Checklist Questionnaire

Note: If you are preparing or reporting on financial statements of an organization that has adopted SFAS 116 and 117, complete all disclosure items denoted with a ★. For organizations that have not adopted SFAS 116 and 117, complete all disclosure items marked with a ♦.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
I. General			
A. Titles and References			
★♦ 1. Are the financial statements suitably titled? [SAS 62, par. 7 (AU 623.07)]	_____	_____	_____
★♦ 2. Does each statement include a general reference that the notes are an integral part of the financial statement presentation? [Generally Accepted]	_____	_____	_____
3. For each period, are the following financial statements presented:			
★♦ a. Statement of financial position? ²	_____	_____	_____
★♦ b. Statement of activities?	_____	_____	_____
♦ c. Statement of changes in fund balance (if not shown as part of the statement of activity)?	_____	_____	_____
★♦ d. Statement of cash flows?	_____	_____	_____
VOLUNTARY HEALTH AND WELFARE ORGANIZATIONS (VHWO) OMIT STEP e.			
♦ e. Statement of changes in financial position?	_____	_____	_____
ORGANIZATIONS OTHER THAN VHWO OMIT STEPS f. AND g.			
★♦ f. Statement of functional expenses?	_____	_____	_____

² For simplicity, we have used throughout this checklist, the financial statement titles that would be used by organizations that have adopted SFAS 117, even though a disclosure item may also relate to organizations that have not adopted SFAS 117. In other words, if you are completing the checklist for an organization that has not adopted SFAS 117 and a disclosure item refers to the “statement of financial position date”, you should interpret that statement as the “balance sheet date”.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>★♦ g. Supplemental schedule of changes in designated portions of unrestricted net assets or fund (optional)? [SFAS 117, pars. 1 and 6 (AC No5.104); SOP 78-10, pars. 16-18; AAG-NPR, par. 1.10; AAG-VHW, pars. 1.14 and 7.05]</p>	_____	_____	_____
B. Accounting Policies and Other Disclosures			
<p>★♦ 1. Is a description of all significant accounting policies adopted and followed presented as an integral part of the financial statements? [APB 22, par. 9 (AC A10.103)]</p>	_____	_____	_____
a. Are the organization's accounting policies disclosed for:			
(1) Grant commitments?	_____	_____	_____
(2) Carrying value of investments?	_____	_____	_____
(3) Carrying value of property, plant, equipment, and collections?	_____	_____	_____
(4) Pledges receivable? [Generally Accepted]	_____	_____	_____
<p>★♦ 2. If the organization prepared its financial statements on a comprehensive basis of accounting other than generally accepted accounting principles (GAAP), was disclosure made of the basis of presentation and how that basis differs from GAAP? [SAS 62, par. 10 (AU 623.10)]</p>	_____	_____	_____
<p>★♦ 3. Does disclosure of significant accounting policies encompass important judgments as to appropriateness of principles concerning recognition of revenue, and allocation of asset costs to current and future periods? [APB 22, par. 12 (AC A10.105)]</p>	_____	_____	_____
<p>★♦ 4. Does the disclosure of significant accounting policies include appropriate reference to details presented elsewhere (in the statements and notes thereto) so duplication of details is avoided? [APB 22, par. 14 (AC A10.107)]</p>	_____	_____	_____
<p>★♦ 5. Do the financial statements identify the organization's:</p>			
a. Principal programs?	_____	_____	_____
b. Principal program costs? [SOP 78-10, par. 9]	_____	_____	_____
<p>★♦ 6. Do the financial statements or notes disclose the degree of control exercised by donors over the use of resources? [SOP 78-10, par. 9]</p>	_____	_____	_____
C. Accounting Changes			
<p>★ 1. In the initial year of application of SFAS 116 and SFAS 117, is the nature of any restatement and its effect on the change in net assets for each period presented disclosed? [SFAS 116, par. 30; SFAS 117, par. 31]</p>	_____	_____	_____
<p>★ 2. If SFAS 116 is not applied retroactively, is the cumulative effect of the change in accounting on each class of net assets reported in the statement of activities between the captions "extraordinary items", if any, and "change in unrestricted net assets", "change in temporarily restricted net assets", and "change in permanently restricted net assets"? [SFAS 116, par. 29]</p>	_____	_____	_____
<p>★♦ 3. For an accounting change, does disclosure in the period of the change include:</p>			
a. Nature of the change?	_____	_____	_____
b. Justification for the change and a clear explanation of why the newly adopted principle is preferable?	_____	_____	_____
c. Effect on excess of revenues over expenses? [APB 20, par. 17 (AC A06.113)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>★◆4. Is a correction of an error shown as a prior period adjustment with disclosure of the following in the period of its discovery and correction:</p> <p>a. Nature and effect of the error in previously issued financial statements?</p> <p>b. Effect of its correction on excess of revenues over expenses before and after extraordinary items? [APB 20, par. 37 (AC A35.105); SFAS 109, par. 288n (AC A35.103); APB 9, par. 26 (AC A35.107)]</p> <p>c. For single period statements, the effects of the prior period adjustment on net assets or fund balance, as applicable, at the beginning of the period? [APB 9, par. 26 (AC A35.107)]</p>	_____	_____	_____
D. Comparative Financial Statements			
<p>★◆1. Has presentation of comparative statements been considered? [SFAS 117, par. 69; ARB 43, Ch. 2A, pars. 1-2 (AC F43.101-.102); SOP 78-10, par. 41]</p>	_____	_____	_____
<p>★◆2. Are the disclosures included in the prior year's financial statements repeated, or at least referred to, to the extent that they continue to be of significance? [ARB 43, Ch. 2A, par. 2 (AC F43.102)]</p>	_____	_____	_____
<p>★◆3. If changes have occurred in the manner of or basis for presenting corresponding items for two or more periods, are appropriate explanations of the changes disclosed? [ARB 43, Ch. 2A, par. 3 (AC F43.103)]</p>	_____	_____	_____
<p>★4. If comparative annual financial statements are presented for earlier periods, are those financial statements reclassified (or restated) to reflect retroactive application of the provisions of SFAS 116 and SFAS 117? [SFAS 116, par. 30; SFAS 117, par. 31]</p>	_____	_____	_____
E. Related Entities			
<p>SOP 94-3, <i>Reporting of Related Entities by Not-for-Profit Organizations</i>, is effective for financial statements issued for fiscal years beginning after December 15, 1994, except for not-for-profit organizations that have less than \$5 million in total assets and less than \$1 million in annual expenses. For those organizations, the effective date is for fiscal years beginning after December 15, 1995. Earlier application is permitted and for organizations that adopt SFAS 117 before its effective date, earlier application is encouraged.</p>			
<p>★◆1. If consolidated financial statements are presented in accordance with SOP 94-3, refer to section I.G., "Consolidated Financial Statements"; if an investment is accounted for under the equity method, refer to section II.C., "Investments/Marketable Securities". [SOP 94-3, pars. 5-13 (ACC 10,610.05-.13)]</p>	_____	_____	_____
<p>★◆2. Is the nature of a controlled relationship disclosed, even though there are no transactions between the enterprises, if the reporting entity and one or more other enterprises are under common ownership or management control, and the existence of the control could result in operating results or financial position of the reporting entity being significantly different from those that would have been obtained if the entity were autonomous? [SFAS 57, pars. 2 and 4 (AC R36.102 and .104)]</p>	_____	_____	_____
<p>★◆3. If the organization controls a separate not-for-profit organization through a form other than majority ownership or voting interest and has an economic interest in that other organization and consolidated financial statements are not presented, do disclosures include:</p> <p>a. Identification of the other organization and the nature of its relationship with the reporting organization that results in control?</p> <p>b. Summarized financial data of the other organization including: total assets, liabilities, net assets, revenue, and expenses, and resources that are held for the benefit of the reporting organization or that are under its control?</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. Disclosures required by SFAS 57 as described in items 2. and 3.? [SOP 94-3, par. 12 (ACC 10,610.12)]	_____	_____	_____
F. Business Combinations			
★♦1. If a business combination occurred during the period and met the specified conditions for a pooling-of-interests, do the statements and notes include the required disclosures? Note: Not-for-profit organizations are, under certain circumstances, permitted to use the pooling-of-interests method, even though they generally do not issue common stock. [SOP 94-2, pars. 18-19] [APB 16, pars. 45-48 and 63-65 (AC B50.104-.107 and .122-.124)]	_____	_____	_____
★♦2. If a business combination does not meet the specified conditions for a pooling-of-interests:			
a. Is the combination accounted for by the purchase method? [APB 16, pars. 66-88, 90-94 (AC B50.125-.146 and .159-.163); SFAS 38 (AC B50.148-.150 and .166); FASBI 4 (AC B50.151-.152) concerns research and development activities of an acquired subsidiary]	_____	_____	_____
b. Do the statements and notes include the required disclosures? [APB 16, pars. 95-96 (AC B50.164-.165); SFAS 79, par. 6 (AC B50.165)]	_____	_____	_____
G. Consolidated Financial Statements			
★♦1. If consolidated financial statements are presented:			
a. Is the consolidation policy disclosed? [ARB 51, par. 5 (AC C51.108); APB 22, pars. 12-14 as amended by SFAS 95, par. 152 (AC A10.105-.107)]	_____	_____	_____
b. In instances in which the financial reporting periods of subsidiaries differ from that of the parent, is recognition given to the effect of intervening events that materially affect financial position or the results of operations? [ARB 51, par. 4 (AC C51.107)]	_____	_____	_____
c. Are restrictions made by entities outside of the reporting entity on distributions from the controlled not-for-profit organization to the reporting organization and any resulting unavailability of the net assets of the controlled not-for-profit organization for use by the reporting organization disclosed? [SOP 94-3, par. 14 (ACC 10, 610.14)]	_____	_____	_____
H. Financial Instruments			
<p>In October 1994, the FASB issued SFAS 119, <i>Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments</i>³, which expands the disclosure requirements for entities that hold or issue derivative financial instruments. It also amends certain disclosure requirements of SFAS 105, <i>Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk</i>, and SFAS 107, <i>Disclosures about Fair Value of Financial Instruments</i>. This section has been updated to reflect SFAS 119's amendments to SFAS 105 and 107. For entities that have <u>not</u> adopted SFAS 119, guidance is provided in certain footnotes in this section of the checklist for applying the disclosure requirements of SFAS 105 and 107 prior to adoption of SFAS 119.</p> <p>Only organizations that have adopted SFAS 119 should complete the following section, Section I., "Derivatives."</p>			
★♦1. For financial instruments with off-balance-sheet risk (except for those excluded in SFAS 105), are the following disclosed either in the body of the financial statements or in the notes by category of financial instrument: ⁴			

³ SFAS 119 is effective for fiscal years ending after December 15, 1994. For organizations with less than \$150 million in total assets in the current statement of financial position, the effective date is for fiscal years ending after December 15, 1995. However, earlier application is encouraged.

⁴ *Category of financial instrument* refers to class of financial instrument, business activity, risk, or other category that is consistent with the management of those instruments. If disaggregation of financial instruments is other than by class, the entity also should describe for each

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. The face or contract amount (or notional principal amount if there is no face or contract amount)?	_____	_____	_____
b. The nature and terms, including, at a minimum, a discussion of:	_____	_____	_____
(1) The credit and market risk of those instruments?	_____	_____	_____
(2) The cash requirements of those instruments?	_____	_____	_____
(3) The related accounting policy pursuant to the requirements of APB 22 [AC A10]? [SFAS 105, par. 17, as amended by SFAS 119, par. 14 (AC F25.112)]	_____	_____	_____
★♦ 2. Do the disclosures in steps 1a. and b. distinguish between financial instruments with off-balance-sheet risk held or issued for trading purposes, including dealing and other trading activities measured at fair value with gains and losses recognized in earnings, and financial instruments with off-balance-sheet risk held or issued for purposes other than trading? ⁵ [SFAS 105, par. 17, as amended by SFAS 119, par. 14 (AC F25.112A)]	_____	_____	_____
★♦ 3. For financial instruments with off-balance-sheet credit risk (except for those excluded in SFAS 105), are the following disclosed either in the body of the financial statements or in the notes by category of financial instrument: ⁶			
a. The amount of accounting loss the organization would incur if any party to the financial instrument failed completely to perform according to the terms of the contract and the collateral or other security, if any, for the amount due proved to be of no value to the organization?	_____	_____	_____
b. The organization's policy of requiring collateral or other security to support financial instruments subject to credit risk, information about the organization's access to that collateral or other security, and the nature and a brief description of the collateral or other security supporting those financial instruments? [SFAS 105, par. 18 as amended by SFAS 119, par. 14 (AC F25.113)]	_____	_____	_____
★♦ 4. Do disclosures of all significant concentrations of credit risk arising from all financial instruments, whether from an individual counterparty or groups of counterparties (except for certain insurance and investment contracts, purchase and pension obligations), include:			
a. Information about the (shared) activity, region, or economic characteristic that identifies the concentration?	_____	_____	_____
b. The amount of the accounting loss due to credit risk the organization would incur if parties to the financial instruments that make up the concentration failed completely to perform according to the terms of the contracts and the collateral or other security, if any, for the amount due proved to be of no value to the organization?	_____	_____	_____
c. The organization's policy of requiring collateral or other security to support financial instruments subject to credit risk, information about the organization's access to that collateral or other security, and the nature and a brief description of the collateral or other security supporting those financial instruments? [SFAS 105, par. 20 (AC F25.115)]	_____	_____	_____

(Footnote Continued)

category the classes of financial instruments included in that category. Practices for grouping and separately identifying similar financial instruments into *classes* in statements of financial position, in notes to financial statements, and in various regulatory reports have developed and become generally accepted, largely without being codified in authoritative literature. In SFAS 105 [AC F25], "class of financial instrument" refers to those classifications. If the organization has not adopted SFAS 119, the disclosures in steps 1.a.-b. should be made by *class* of financial instrument, rather than by *category*.

⁵ Not applicable to organizations that have not adopted SFAS 119.

⁶ See Footnote 4. If the organization has not adopted SFAS 119, the disclosures in step 3 should be made by *class* of financial instrument, rather than by *category*.

Yes No N/A

NOTE: For organizations with less than \$150 million in total assets in the current statement of financial position, the effective date for SFAS 107 disclosures is for financial statements issued for fiscal years ending after December 15, 1995. However, earlier application is encouraged.

- ★♦5. Is the fair value of financial instruments for which it is practicable to estimate that value (except for those excluded in paragraphs 8 and 13 of SFAS 107) disclosed, together with the related carrying amount in a form that makes it clear whether the fair value and carrying amount represent assets or liabilities and how the carrying amounts relate to what is reported in the statement of financial position?^{7 8}
[SFAS 107, par. 10 as amended by SFAS 119, par. 15 (AC F25.115C)] _____
- ★♦6. Do the disclosures in Step 5. distinguish between financial instruments held or issued for trading purposes, including dealing and other trading activities measured at fair value with gains and losses recognized in earnings, and financial instruments held or issued for purposes other than trading?⁸
[SFAS 107, par. 10 as amended by SFAS 119, par. 15 (AC F25.115C)] _____
- ★♦7. Are the methods and significant assumptions used to estimate the fair value of financial instruments disclosed?
[SFAS 107, par. 10 (AC F25.115C)] _____
- ★♦8. If it is not practicable to estimate the fair market value of a financial instrument, do disclosures include:
 - a. Information pertinent to estimating the fair value of the financial instrument or class of financial instruments, such as the carrying amount, effective interest rate, and maturity? _____
 - b. The reasons why it is not practicable to estimate fair value?
[SFAS 107, par. 14 (AC F25.115J)] _____
- ★♦9. If the offsetting of derivative financial instruments against nonderivative financial instruments is not permitted under FASB Interpretation No. 39, *Offsetting of Amounts Related to Certain Contracts*, does the organization, in disclosing the fair value of a derivative financial instrument, not:⁹
 - a. Combine, aggregate, or net the fair value with the fair value of a nonderivative financial instrument? _____
 - b. Net the fair value with the fair value of other derivative financial instruments?
[SFAS 107, par. 13 as amended by SFAS 119, par. 15 (AC F25.115I)] _____
- ★♦10. For all fiscal years subsequent to the year of transition, are SFAS 107 disclosures included for each year for which a statement of financial position is presented for comparative purposes?
[SFAS 107, par. 17] _____
 - I. **Derivatives** (SFAS 119 is effective for financial statements issued for fiscal years ending after December 15, 1994, except for entities with less than \$150 million in total assets. For those entities, the Statement is effective for financial statements issued for fiscal years ending after December 15, 1995.)
- ★♦1. For options held and other derivative financial instruments not within the scope of SFAS 105 that do not have off-balance-sheet risk, are the following disclosures made by category of financial instrument:
 - a. The face or contract amount (or notional principal amount if there is no face or contract amount)? _____
 - b. The nature and terms, including a discussion of: _____

⁷ If disclosed in more than a single note, one of the notes should include a summary table containing the fair value and related carrying amounts and cross-references to the location(s) of the remaining disclosures required by SFAS 107, as amended.

⁸ Not applicable to organizations that have not adopted SFAS 119.

⁹ See footnote 8.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(1) Credit and market risk?	_____	_____	_____
(2) Cash requirements?	_____	_____	_____
(3) Related accounting policy as required by APB 22?	_____	_____	_____
c. Do disclosures in Steps 1.a. and b. above distinguish between financial instruments held or issued for:			
(1) Trading purposes, including dealing and other trading activities measured at fair value with gains and losses recognized in earnings?	_____	_____	_____
(2) Purposes other than trading? [SFAS 119, pars. 8 and 9]	_____	_____	_____
★♦2. Does the organization that holds derivative financial instruments for trading purposes disclose:			
a. The average fair value during the reporting period and the related end-of-period fair value, distinguishing between assets and liabilities?	_____	_____	_____
b. The net gains or losses (net trading revenue) arising from trading activities during the reporting period disaggregated by class, business activity, risk or other category consistent with management of those activities and where those net trading gains or losses are reported in the income statement?	_____	_____	_____
(1) If the disaggregation is other than by class, did the organization also disclose for each category the classes of derivative financial instruments, other financial instruments, and nonfinancial assets and liabilities from which the net trading gains and losses arose?	_____	_____	_____
c. The average fair value for assets and liabilities from the trading of other types of financial instruments or nonfinancial assets? (This disclosure is encouraged but not required.) [SFAS 119, par. 10]	_____	_____	_____
★♦3. Does an organization that holds derivative financial instruments for purposes other than trading disclose:			
a. A description of:			
(1) The objectives for holding?	_____	_____	_____
(2) The context needed to understand those objectives?	_____	_____	_____
(3) The strategies for achieving those objectives?	_____	_____	_____
(4) The classes of derivative financial instruments used?	_____	_____	_____
b. A description of how each class of derivative financial instrument is reported in the financial statements, including:			
(1) The policies for recognition and measurement or nonrecognition of the derivative financial instruments?	_____	_____	_____
(2) When recognized, where the instruments and related gains and losses are reported?	_____	_____	_____
c. For derivative financial instruments that are held or issued and accounted for as hedges of anticipated transactions, both firm and forecasted transactions for which there is no firm commitment, including:			
(1) A description of the anticipated transactions whose risks are hedged, including the expected time period of occurrence?	_____	_____	_____
(2) A description of the classes of derivative financial instruments used to hedge?	_____	_____	_____
(3) The amount of explicitly deferred hedging gains and losses?	_____	_____	_____
(4) A description of the transaction or events that result in the recognition in earnings of the deferred gains or losses? [SFAS 119, par. 11]	_____	_____	_____
★♦4. Are the following encouraged, but not required, quantitative disclosures made:			
a. Interest rate?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. Foreign exchange?	_____	_____	_____
c. Commodity price?	_____	_____	_____
d. Other market risks consistent with management's strategies?	_____	_____	_____
e. Information of the risk of other financial instruments or nonfinancial assets and liabilities related by risk management strategy pertaining to the objectives for holding or issuing derivative financial instruments? ¹⁰ [SFAS 119, pars. 12 and 13]	_____	_____	_____
J. Nonmonetary Transactions			
★♦1. Do disclosures for nonmonetary transactions during the period include:			
a. Nature of the transactions?	_____	_____	_____
b. Basis of accounting for the assets transferred?	_____	_____	_____
c. Gains or losses recognized on the transfers? [APB 29, par. 28 (AC C11.102 and N35.120); FASBI 30 (ACN35.114-.119)]	_____	_____	_____
K. Contingencies and Commitments			
★♦1. Are the nature and amount of accrued loss contingencies disclosed as necessary to keep the financial statements from being misleading? [SFAS 5, par. 9 (AC C59.108)]	_____	_____	_____
★♦2. For loss contingencies not accrued, do disclosures indicate:			
a. Nature of the contingency?	_____	_____	_____
b. Estimate of possible loss or range of loss, or a statement that such estimate cannot be made? [SFAS 5, par. 10 (AC C59.109)]	_____	_____	_____
★♦3. If exposure to loss exists in excess of the amount accrued for a loss contingency, do disclosures include the excess amount or state that no estimate is possible? [SFAS 5, par. 10 (AC C59.109)]	_____	_____	_____
★♦4. Are the nature and amount of guarantees disclosed (for example, of indebtedness of others)? [SFAS 5, par. 12 (AC C59.113); FASBI 34, pars. 2-3 (AC C59.114)]	_____	_____	_____
★♦5. Are gain contingencies adequately disclosed to avoid any misleading implications about likelihood of realization? [SFAS 5, par. 17 (AC C59.118)]	_____	_____	_____
★♦6. Is there adequate disclosure of commitments such as those for capital expenditures, grants to be awarded to others, restrictive covenants in financing agreements, inventory purchase agreements, and employment contracts? [SFAS 5, pars. 18-19 (AC C59.120)]	_____	_____	_____
★♦7. Are encumbrances, appropriations of fund balance, unspecified reserves, and other commitments not meeting the criteria of SFAS 5, par. 8 <u>not</u> reported as expenses or liabilities? Note: These may be reported as segregations of net assets of individual funds if such funds are reported separately on the statement of financial position (if SFAS 117 has been adopted) or as segregations of fund balance on the balance sheet (if SFAS 117 has not been adopted). [SFAS 5, pars. 14-15 (AC C59.116-.117); SOP 78-10, par. 12]	_____	_____	_____

¹⁰ Suggested methods of disclosure of the above include:

- a. Additional details about current positions and period activity.
- b. Hypothetical effects on equity or on annual income due to several possible changes in market prices.
- c. Gap analysis of interest rate repricing or maturity dates.
- d. Duration of financial instruments.
- e. The entity's value at risk from derivative financial instruments and other positions at period end and the average value at risk during the year.
- f. Any other helpful informative disclosures.

Yes No N/A

★◆8. Are commitments to fund future grants that are not unconditional grants at the statement of financial position date disclosed?
[SOP 78-10, par. 102] _____

L. Risks and Uncertainties (SOP 94-6, *Disclosure of Certain Significant Risks and Uncertainties*, is effective for financial statements issued for fiscal years ending after December 15, 1995, and for financial statements for interim periods in fiscal years subsequent to the year for which this SOP is to be first applied. Early application is encouraged but not required.)

★◆1. Is a description of the principal services performed by the organization and the revenue sources for the organization's services included in the financial statements?
[SOP 94-6, par. 10] _____

★◆2. Is an explanation that the preparation of financial statements in conformity with GAAP requires the use of management's estimates included in the financial statements?
[SOP 94-6, par.11] _____

★◆3. Is disclosure regarding an estimate made when known information available prior to the issuance of the financial statements indicates that both of the criteria in SOP 94-6, par. 13 are met?
[SOP 94-6, par. 13] _____

★◆4. Does the disclosure in Step 3. above, indicate the nature of the uncertainty including an indication that it is at least reasonably possible that a change in estimate will occur in the near term?
[SOP 94-6, par. 14] _____

★◆5. Have the optional disclosures in paragraphs 14-15 of SOP 94-6 been considered?
[SOP 94-6, par. 14-15] _____

★◆6. Is disclosure of the concentrations described in paragraph 22 of SOP 94-6 made, if, based on information known to management prior to issuance of the financial statements, the criteria in paragraph 21 are met?
[SOP 94-6, pars. 21-22] _____

M. Related Parties

★◆1. For related-party transactions, do disclosures include:
a. The nature of the relationships involved (e.g., affiliate companies, officers, etc.)? _____

b. A description of the transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which a statement of activity is presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements? _____

c. The dollar amount of transactions for each of the periods for which a statement of activities is presented and the effects of any change in the method of establishing the terms from that used in the preceding period? _____

d. Amounts due from or to related parties as of the date of each statement of financial position presented and, if not otherwise apparent, the terms and manner of settlement?
[SFAS 57, pars. 2-4 (AC R36.102-.104)] _____

★◆2. With respect to disclosure of related-party transactions, is consideration given to disclosing transactions with chapters, foundations, auxiliaries, guilds, trusts, etc., as well as to members of management and the governing board and other organizations with which such parties are affiliated?
[SOP 78-10, par. 7.01] _____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
N. Subsequent Events			
★♦1. Are the financial statements adjusted for any changes in estimates resulting from subsequent events that provided additional evidence about conditions that existed at the statement of financial position date? [SFAS 5, par. 8 (AC C59.105); SAS 1, secs. 560.03-.04, 560.07 and 561.01-.10 (AU 560.03-.04, .07 and 561.01-.10)]	_____	_____	_____
★♦2. Are subsequent events that provide evidence about conditions that did not exist at the statement of financial position date, but arose subsequent to that date adequately disclosed to keep the financial statements from being misleading? [SFAS 5, par. 11 (AC C59.112); APB 16, par. 61 (AC B50.120) and SAS 1, secs. 560.05-.07, 561.01-.10 (AU 560.05-.07, and 561.01-.10)] (Consider the appropriateness of dual dating the auditor's report if a subsequent event is disclosed in the financial statements. SAS 1, sec. 530.05 (AU 530.05))	_____	_____	_____
O. Pension Plans [For defined benefit pension plans, accounting and reporting by the plans themselves should be in conformity with SFAS 35 (AC Pe5)]			
★♦1. If there is a defined benefit plan , do disclosures include:	_____	_____	_____
a. A description of the plan including employee groups covered, type of benefit formula, funding policy, types of assets held and significant nonbenefit liabilities, if any, and the nature and effect of significant matters affecting comparability of information for all periods presented? [SFAS 87, par. 54a (AC P16.150a)]	_____	_____	_____
b. The amount of net periodic pension cost for the period showing separately the service cost component, the interest cost component, the actual return on assets for the period, and the net total of other components? ¹¹ [SFAS 87, par. 54b (AC P16.150b)]	_____	_____	_____
c. A schedule reconciling the funded status of the plan with amounts reported in the employer's statement of financial position, showing separately:			
(1) The fair value of plan assets?	_____	_____	_____
(2) The projected benefit obligation identifying the accumulated benefit obligation and the vested benefit obligation?	_____	_____	_____
(3) The amount of unrecognized prior service cost?	_____	_____	_____
(4) The amount of unrecognized net gain or loss (including asset gains and losses not yet reflected in market-related value)?	_____	_____	_____
(5) The amount of any remaining unrecognized net obligation or net asset existing at the date of initial application of SFAS 87 (AC P16)?	_____	_____	_____
(6) The amount of any additional liability recognized pursuant to SFAS 87, paragraph 36 (AC P16.130)?	_____	_____	_____
(7) The amount of net pension asset or liability recognized in the statement of financial position pursuant to SFAS 87, paragraphs 35-36 (AC P16.129-.130) (which is the net result of combining the preceding six items)? [SFAS 87, par. 54c (AC P16.150c)]	_____	_____	_____
d. The weighted-average assumed discount rate and rate of compensation increase (if applicable) used to measure the projected benefit obligation and the weighted-average expected long-term rate of return on plan assets? [SFAS 87, par. 54d (AC P16.150d)]	_____	_____	_____

¹¹ The net total of other components is the net effect during the period of certain delayed recognition provisions of SFAS 87 (AC P16). That net total includes:

- (1) The net asset gain or loss during the period deferred for later recognition (in effect, and offset or a supplement to the actual return on assets)
- (2) Amortization of the net gain or loss from earlier periods
- (3) Amortization of unrecognized prior service cost
- (4) Amortization of unrecognized net obligation or net asset existing at the date of initial application of SFAS 87 (AC P16).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
e. If applicable, the amounts and types of securities of the employer and related parties included in plan assets, and the approximate amount of annual benefits of employees and retirees covered by annuity contracts issued by the employer and related parties? [SFAS 87, par. 54e (AC P16.150e)]	_____	_____	_____
f. If applicable, the alternative amortization method used pursuant to SFAS 87, paragraphs 26 and 33 (AC P16.120 and .127), and the existence and nature of the commitment discussed in SFAS 87 paragraph 41 (AC P16.135)? [SFAS 87, par. 54e (AC P16.150e)]	_____	_____	_____
g. If more than one defined benefit plan exists:			
(1) Are the required disclosures above aggregated for all of the employer's single-employer-defined benefit plans or disaggregated in groups so as to provide the most useful information?	_____	_____	_____
(2) Are plans with assets in excess of accumulated benefit obligations not aggregated with plans that have accumulated benefit obligations that exceed plan assets? [SFAS 87, par. 56 (AC P16.153)]	_____	_____	_____
★◆2. If there is a defined contribution plan, are the following items disclosed:			
a. A description of the plan including employee groups covered, the basis for determining contributions, and the nature and effect of significant matters affecting comparability of information for all periods presented?	_____	_____	_____
b. The amount of cost recognized during the period? [SFAS 87, par. 65 (AC P16.162)]	_____	_____	_____
c. If the pension plan has characteristics of both a defined benefit plan and a defined contribution plan and the substance of the plan is to provide a defined benefit, is Step 1 (a-g) followed? [SFAS 87, par. 66 (AC P16.163)]	_____	_____	_____
★◆3. If there is a multiemployer plan, do disclosures include:			
a. A description of the multiemployer plan, including the employee groups covered, the type of benefits provided (defined benefit or defined contribution), and the nature and effect of significant matters affecting comparability of information for all periods presented? [SFAS 87, par. 69a (AC P16.166a)]	_____	_____	_____
b. The amount of cost recognized during the period? [SFAS 87, par. 69b (AC P16.166b)]	_____	_____	_____
c. If the situation arises where the withdrawal from a multiemployer plan may result in the employer having an obligation to the plan for a portion of its unfunded benefit obligations that is either probable or reasonably possible, are the provisions of SFAS 5 [AC C59] applied? [SFAS 87, par. 70 (AC P16.167)]	_____	_____	_____
★◆4. If there is a settlement or curtailment of a defined benefit pension plan or of termination benefits under such plan, do disclosures include:			
a. A description of the nature of the event(s)?	_____	_____	_____
b. The amount of gain or loss recognized? [SFAS 88, par. 17 (AC P16.187)]	_____	_____	_____
★◆5. If the organization terminates a defined benefit plan and (1) contributes the assets withdrawn to a defined contribution plan, (2) the amount contributed is in excess of the employer's required annual contribution to the plan, and (3) the risk and rewards of the ownership of the assets are retained by the employer, were the following considered for the defined contribution plan:			
a. Is the excess contribution that is not allocated to individual participants accounted for as an asset regardless of the source of funds?	_____	_____	_____
b. Is the unallocated amount treated as if it were part of the employer's investments portfolio and recorded as an asset?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(1) Is the income attributed to such securities including dividends, interest, and realized gains and losses reported in a manner consistent with the employer's reporting of similar items?	_____	_____	_____
P. Postretirement Benefits Other Than Pensions (See Exhibit A if SFAS 106 has not been adopted)			
★♦1. If there are one or more defined benefit postretirement plans, do disclosures include:			
a. A description of the substantive plan(s) that is the basis for the accounting, including the nature of the plan, any modifications of the existing cost-sharing provisions that are encompassed by the substantive plan(s), and the existence and nature of any commitment to increase monetary benefits provided by the postretirement benefit plan, employee groups covered, types of benefits provided, funding policy, types of assets held and significant nonbenefit liabilities, and the nature and effect of significant matters affecting the comparability of information for all periods presented, such as the effect of a business combination or divestiture?	_____	_____	_____
b. The amount of net periodic postretirement benefit cost, showing separately the service cost component, the interest cost component, the actual return on plan assets for the period, amortization of the unrecognized transition obligation or transition asset, and the net total of other components? ¹²	_____	_____	_____
c. A schedule reconciling the funded status of the plan(s) with amounts reported in the employer's statement of financial position, showing separately:			
(1) The fair value of plan assets?	_____	_____	_____
(2) The accumulated postretirement benefit obligation, identifying separately the portion attributable to retirees, other fully eligible plan participants, and other active plan participants?	_____	_____	_____
(3) The amount of unrecognized prior service cost?	_____	_____	_____
(4) The amount of unrecognized net gain or loss (including plan asset gains and losses not yet reflected in market-related value)?	_____	_____	_____
(5) The amount of any remaining unrecognized transition obligation or transition asset?	_____	_____	_____
(6) The amount of net postretirement benefit asset or liability recognized in the statement of financial position, which is the net result of combining the preceding five items?	_____	_____	_____
d. The assumed health care cost trend rate(s) used to measure the expected cost of benefits covered by the plan (gross eligible charges) for the next year and a general description of the direction and pattern of change in the assumed trend rates thereafter, together with the ultimate trend rate(s) and when that rate is expected to be achieved?	_____	_____	_____
e. The weighted-average of the assumed discount rate(s) and rate(s) of compensation increase (for pay-related plans) used to measure the accumulated postretirement benefit obligation and the weighted-average of the expected long-term rate(s) of return on plan assets?	_____	_____	_____

¹² The net total of other components is generally the net effect during the period of certain delayed recognition provisions of SFAS 106 (AC P40). That net total includes:

- a. The net asset gain or loss during the period deferred for later recognition (in effect, an offset or a supplement to the actual return on plan assets).
- b. Amortization of unrecognized prior service cost.
- c. Amortization of the net gain or loss from earlier periods.
- d. Any gain or loss recognized due to a temporary deviation from the substantive plan (of SFAS 106, par. 61 (AC P40.156)).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
f. The effect of a one-percentage-point increase in the assumed health care cost trend rates for each future year on the aggregate of the service and interest cost components of net periodic postretirement health care benefit cost; and the accumulated postretirement benefit obligation for health care benefits (for purposes of this disclosure, all other assumptions should be held constant and the effects should be measured based on the substantive plan that is the basis for the accounting)?	_____	_____	_____
g. The amounts and types of securities of the employer and related parties included in plan assets, and the approximate amount of future annual benefits of plan participants covered by insurance contracts issued by the employer and related parties?	_____	_____	_____
h. Any alternative amortization method used pursuant to paragraph 53 or 60 of SFAS 106 (e.g., a straight-line amortization of the cost over the average remaining years of service to full eligibility for benefits of the active plan participants)?	_____	_____	_____
i. The amount of gain or loss recognized during the period for a settlement or curtailment and a description of the nature of the event(s)?	_____	_____	_____
j. The cost of providing special or contractual termination benefits recognized during the period and a description of the nature of the event(s)? [SFAS 106, par. 74a-j (AC P40.169a-j)]	_____	_____	_____
★♦2. If more than one defined benefit postretirement plan exists:			
a. Are the disclosures required by Step 1. above aggregated for all of an employer's single-employer defined benefit postretirement plans or disaggregated in groups so as to provide the most useful information (except, for purposes of the disclosures required by Step 1.c. above, the aggregate plan assets and the aggregate accumulated postretirement benefit obligation of the underfunded plans should be separately disclosed)? [SFAS 106, par. 77 (AC P40.172)]	_____	_____	_____
b. Are plans that provide primarily postretirement healthcare benefits and plans that provide primarily other postretirement welfare benefits separately disclosed if the accumulated postretirement benefit obligation of the latter plans is significant relative to the aggregate accumulated postretirement benefit obligation for all the plans? [SFAS 106, par. 78 (AC P40.173)]	_____	_____	_____
★♦3. If there is a multiemployer plan, do disclosures include:			
a. A description of the multiemployer plan(s) including the employee groups covered, the type of benefits provided (defined benefit or defined contribution), and the nature and effect of significant matters affecting comparability of information for all periods presented?	_____	_____	_____
b. The amount of postretirement benefit cost recognized during the period, if available. Otherwise, the amount of the aggregate required contribution for the period to the general health and welfare benefit plan that provides health and welfare benefits to both active employees and retirees? [SFAS 106, par. 82 (AC P40.178)]	_____	_____	_____
c. Are the provisions of SFAS 5 [AC C59] applied if the situation arises where withdrawal from a multiemployer plan may result in an employer's having an obligation to the plan for a portion of the plan's unfunded accumulated postretirement benefit obligation and it is probable or reasonably possible that:			
(1) An employer would withdraw from the plan under circumstances that would give rise to an obligation?	_____	_____	_____
or			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(2) An employer's contribution to the fund would be increased during the remainder of the shortfall in the funds necessary to maintain the negotiated level of benefit coverage? [SFAS 106, par. 83 (AC P40.179)]	_____	_____	_____
★◆4. If there is one or more defined contribution postretirement plans, are the following items disclosed separately from defined benefit postretirement plan disclosures:			
a. A description of the plan(s) including employee groups covered, the basis for determining contributions, and the nature and effect of significant matters affecting comparability of information for all periods presented?	_____	_____	_____
b. The amount of cost recognized during the period? [SFAS 106, par. 106 (AC P40.198)]	_____	_____	_____
Q. Extraordinary Items			
★◆1. Are extraordinary items segregated and shown on the face of the Statement of Activities using the caption "extraordinary items"?	_____	_____	_____
★◆2. Are descriptive captions and amounts presented for individual extraordinary events or transactions, preferably on the face of the Statement of Activities?	_____	_____	_____
★◆3. Do disclosures include descriptions of extraordinary events or transactions and the principal items entering into determination of extraordinary gains or losses? [APB 30, par. 11 (AC I17.102)]	_____	_____	_____
★◆4. For an adjustment of an extraordinary item reported in a prior period:			
a. Is the adjustment classified separately as an extraordinary item in the current period?	_____	_____	_____
b. Are the nature, origin, and amount of the item disclosed? [SFAS 16, par. 16(c) (AC I17.119)]	_____	_____	_____
R. Advertising Costs			
[Note: Fund-raising by nonprofit organizations is not considered advertising. (SOP 93-7, par. 22, fn. 4)]			
★◆1. Do the disclosures for advertising costs include:			
a. The accounting policy selected from the two alternatives in paragraph 26 of SOP 93-7 (as interpreted by PB 13, <i>Direct-Response Advertising and Probable Future Benefits</i>), including whether such costs are expensed as incurred or the first time the advertising takes place?	_____	_____	_____
b. A description of the direct-response-advertising reported as assets (if any), the related accounting policy, and the amortization method and period?	_____	_____	_____
c. The amount charged to advertising expense for each statement of activities presented, with separate disclosure of amounts, if any, representing a write-down of the capitalized advertising costs to net realizable value and the reasons for the write-down?	_____	_____	_____
d. The amount of advertising reported as assets in each statement of financial position presented? [SOP 93-7, par. 49; APB 17, pars. 30 and 31 (AC I60.111-.112)]	_____	_____	_____
S. Costs to Exit an Activity			
★◆1. If the organization commits to an exit plan meeting the criteria of EITF 94-3, <i>Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)</i> , has the organization made the disclosures prescribed by EITF 94-3? [EITF 94-3]	_____	_____	_____

II. Statement of Financial Position/Balance Sheet

A. General

- | | | | |
|--|-------|-------|-------|
| <p>★◆1. For classified statements of financial position, are assets and liabilities segregated into current and noncurrent classifications, with totals presented for current assets and current liabilities?
[ARB 43, Ch. 3A, par. 3; SFAS 78, pars. 5 and 13 (AC BO5.102—.109B); SFAS 6, par. 15 (AC BO5.118); FASBI 8, par. 3 (AC BO5.117); TB 79-3, par. 2 (AC BO5.501—.503); SOP 78-10, pars. 23 and 24; SFAS 117, par. 12 (AC No5.110)]</p> | _____ | _____ | _____ |
| <p>★◆2. Are assets not expected to be realized during the current operating cycle classified as noncurrent?
[ARB 43, Ch. 3A, pars. 5—6 (AC BO5.106—.107)]</p> | _____ | _____ | _____ |
| <p>★ 3. Does the statement of financial position report total assets, liabilities, and net assets as well as separate amounts for each of three classes of net assets with captions used to describe their meaning as explained in SFAS 117?
[SFAS 117, pars. 10, 13, and 100 (AC No5.131, fn. a)]</p> | _____ | _____ | _____ |
| <p>★ 4. Does the organization provide information about liquidity by one or more of the following presentations:</p> <p style="margin-left: 20px;">a. Sequencing assets according to their nearness of conversion to cash and sequencing liabilities according to the nearness of their maturity and resulting use of cash?</p> <p style="margin-left: 20px;">b. Classifying assets and liabilities as current and noncurrent?</p> <p style="margin-left: 20px;">c. Disclosing in notes to financial statements relevant information about the liquidity or maturity of assets and liabilities, including restrictions on the use of particular assets?
[SFAS 117, par. 12 (AC No5.110)]</p> | _____ | _____ | _____ |
| <p>★◆5. Are valuation allowances for assets shown as deductions from their related assets with appropriate disclosure?
[APB 12, par. 3 (AC V18.102); AAG-VHW, par. 4.12]</p> | _____ | _____ | _____ |
| <p>★◆6. Is the need for disclosure of the impact of a new FASB Statement issued but not yet effective where restatement of prior periods is required considered?
[SAS 1, sec. 9410.13-.18 (AU 9410.13-.18)]</p> | _____ | _____ | _____ |

B. Cash

- | | | | |
|---|-------|-------|-------|
| <p>★◆1. Are restricted amounts appropriately segregated from other cash balances?
[ARB 43, Ch. 3A, par. 6 (AC BO5.107)]</p> | _____ | _____ | _____ |
| <p>★◆2. If a concentration of credit risk arises from deposits in excess of federally insured limits, is it disclosed?
[SFAS 105, par. 20 (AC F25.115)]</p> | _____ | _____ | _____ |
| <p>★◆3. If the organization has material bank overdrafts or a material balance of undelivered checks as of the statement of financial position date, are:</p> <p style="margin-left: 20px;">a. Bank overdrafts presented as a separate caption within current liabilities?</p> <p style="margin-left: 20px;">b. Undelivered checks classified as accounts payable?
[Generally Accepted]</p> | _____ | _____ | _____ |
| <p>★◆4. Is the organization's policy for treating items as cash equivalents disclosed?
[SFAS 95, par. 10 (AC C25.108)]</p> | _____ | _____ | _____ |

C. Investments/Marketable Securities

- | | | | |
|---|-------|-------|-------|
| <p>★◆1. Are the appropriate disclosures made for investments in common stock accounted for under the equity method?
[APB 18, par. 20 as amended and superseded by SFAS 94 (AC I82.110)]</p> | _____ | _____ | _____ |
|---|-------|-------|-------|

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
★♦ 2. For Organizations Other Than VHWO:			
a. If investments in marketable securities are <i>not</i> carried at market value, is the market value for that group as of the statement of financial position date disclosed? [SOP 78-10, par. 79]	_____	_____	_____
b. Do the notes to financial statements summarize total realized and unrealized gains and losses and income earned from investments held by all funds, except life income and custodial funds? [SOP 78-10, par. 83]	_____	_____	_____
★♦ 3. For VHWO:			
a. Is the basis of carrying investments the same in all funds and clearly disclosed in the financial statements?	_____	_____	_____
(1) If carried at cost, is the total market value of investments at the balance-sheet date shown parenthetically for each fund, or disclosed in the notes?	_____	_____	_____
(2) If carried at market value, is the cost disclosed parenthetically for each fund or disclosed in the notes?	_____	_____	_____
(3) Is the unrealized appreciation (or depreciation) in such investments at the beginning and end of the year disclosed in the notes? [AAG-VHW 2.05]	_____	_____	_____
D. Receivables¹³			
★♦ 1. Are accounts and notes receivable due from officers, employees, and affiliated organizations shown separately with appropriate disclosures? [ARB 43, Ch. 1A, par. 5 (AC R36.105)]	_____	_____	_____
★♦ 2. If a note is noninterest bearing or has an inappropriate stated interest rate:			
a. Is the discount or premium presented as a deduction from or addition to the face amount of the note?	_____	_____	_____
b. Does the disclosure include the effective interest rate and face amount of the note?	_____	_____	_____
c. Is amortization of discount or premium reported as interest in the statement of activity? [APB 21, par. 16 (AC I69.109)]	_____	_____	_____
★♦ 3. Are unearned discounts, finance charges and interest included in the face amount of receivables shown as a deduction from the related receivables? [APB 6, par. 14 (AC B05.107A, note 3)]	_____	_____	_____
★♦ 4. Are legally enforceable pledges, grants, and reimbursements receivable, net of allowance for uncollectible amounts, recorded? [SOP 78-10, pars. 64—66; AAG-NPR 5.07; AAG-VHW 4.12 and 4.13]	_____	_____	_____
★ 5. Do organizations that receive unconditional promises to give disclose the following:			
a. The amounts of promises receivable in less than one year, in one to five years, and in more than five years?	_____	_____	_____
b. The amount of any allowance for uncollectible promises receivable? [SFAS 116, par. 24 (AC C67.121)]	_____	_____	_____
★ 6. Do organizations that receive conditional promises to give disclose the following:			
a. The total of the amounts promised?	_____	_____	_____
b. A description and amount for each group of promises having similar characteristics (such as amount of promises conditioned on establishing new programs, completing a new building, and raising matching gifts by a specified date)? [SFAS 116, par. 25 (AC C67.122)]	_____	_____	_____

¹³ If the organization has extended a loan that is impaired, refer to SFAS 114, as amended by SFAS 118, for presentation and disclosure requirements.

Yes No N/A

E. Inventories

- ★♦ 1. Are the major classes of inventory disclosed (e.g., finished goods, work in process, raw materials)?
[ARB 43, Ch. 3A, par. 4 (AC B05.105); ARB 43, Ch. 4, par. 3 (AC I78.102-.103)] _____
- ★♦ 2. Is the method of determining inventory cost (e.g., LIFO, FIFO) disclosed?
[ARB 43, Ch. 3A, par. 9 (AC I78.120)] _____
- ★♦ 3. Is the basis for stating inventory disclosed (e.g., lower of cost or market) and, if necessary, the nature of a change in basis for stating inventory and the effect on income of such a change?
[ARB 43, Ch. 4, pars. 4-16 (AC I78.104-.117 and .119-.120); APB 22, par. 13 (AC A10.106)] _____
- ★♦ 4. Are valuation allowances for inventory losses shown as a deduction from the related inventory?
[APB 12, par. 3 (AC V18.102)] _____

F. Property and Equipment

VHWO Omit Step #1.

- ★♦ 1. Are the amounts of depreciation provided on (1) assets carried at historical cost and (2) assets carried on a basis other than historical cost separately disclosed?
[SOP 78-10, par. 110] _____
- ★♦ 2. Are the following disclosed:
 - a. Depreciation expense for each period? _____
 - b. Balances of major classes of depreciable assets by nature or function at the balance-sheet date? _____
 - c. Accumulated depreciation, either by major classes of assets or in total? _____
 - d. The method(s) used in computing depreciation with respect to major classes of depreciable assets?
[APB 12, par. 5 (AC D40.105); SOP 78-10, par. 108] _____
- ★♦ 3. Is the amount of capitalized interest disclosed?
[SFAS 34, par. 21 (AC I67.118)] _____

G. Collections of Works of Art and Similar Items

- ★ 1. For organizations that maintain a collection of works of art, historical treasures, or similar assets, that are not capitalized, are the following items reported separately on the statement of activities, separately from revenues, expenses, gains, and losses:
 - a. Costs of collection items purchased as a decrease in the appropriate class of net assets? _____
 - b. Proceeds from the sale of collection items as an increase in the appropriate class of net assets? _____
 - c. Proceeds from insurance recoveries of lost or destroyed collection items as an increase in the appropriate class of netassets?
[SFAS 116, pars. 13 and 26 (AC C67.113 and .123)] _____
- ★ 2. For organizations that capitalize collections prospectively, are proceeds from sales and insurance recoveries of items not previously capitalized reported separately from revenues, expenses, gains, and losses?
[SFAS 116, par. 26 (AC C67.123)] _____
- ★ 3. For organizations that do not capitalize collections or that capitalize prospectively, are the following items disclosed:
 - a. Description of collections including their relative significance? _____
 - b. Accounting and stewardship policies for collections?
[SFAS 116, par. 27 (AC C67.124)] _____
- ★ 4. If collection items not capitalized are disposed of during the period, does the organization also: _____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. Describe the items given away, damaged, destroyed, lost, or otherwise deaccessioned during the period, or	_____	_____	_____
b. Disclose their fair value? [SFAS 116, par. 27 (AC C67.124)]	_____	_____	_____
★ 5. Is the line item on the financial statement that refers to the disclosures required by Steps 3. and 4. dated if collections are capitalized prospectively? [SFAS 116, par. 27 (AC C67.124)] VHWO Omit Steps 6. and 7.	_____	_____	_____
◆ 6. If the organization has inexhaustible collections (usually associated with museums, art galleries, botanical gardens, libraries or similar entities), and if such collections are not capitalized, does the caption "Collections" appear on the balance sheet with no amount shown, but with a reference to a note that describes the collections? [SOP 78-10, par. 113]	_____	_____	_____
◆ 7. Is the cost or contributed value of current period accessions and the nature of and proceeds from deaccessions discussed? [SOP 78-10, par. 114]	_____	_____	_____
H. Other Assets and Deferred Charges			
★◆ 1. Do disclosures include the method and period of amortization of intangible assets? [APB 17, par. 30 (AC I60.111); APB 22, par. 13 (AC A10.106)]	_____	_____	_____
★◆ 2. Is an asset (prepaid pension cost) recognized if net periodic pension cost is less than amounts the employer contributed to the plan? [SFAS 87, par. 35 (AC P16.129)]	_____	_____	_____
★◆ 3. If an additional minimum liability is recognized pursuant to SFAS 87, paragraph 36 (AC P16.130), is an equal amount recognized as an intangible asset, provided that the asset recognized does not exceed the amount of unrecognized prior-service cost? [SFAS 87, pars. 37—38 (AC P16.131 and .132)]	_____	_____	_____
I. Interfund Borrowings			
◆ 1. Are restricted funds used in interfund borrowings and any liquidity problems in either fund disclosed? [SOP 78-10, par. 119]	_____	_____	_____
◆ 2. When funds for repayment are not available, are such borrowings considered permanent and recorded as transfers? [SOP 78-10, par. 118]	_____	_____	_____
★ 3. Are interfund receivables and payables clearly identified and arranged in the statement of financial position to eliminate their amounts when displaying total assets or liabilities? [SFAS 117, par. 85, fn. 8 (AC No5.109, fn.4)]	_____	_____	_____
J. Current Liabilities			
★◆ 1. For classified statements of financial position, do current liabilities include:			
a. Obligations for items that entered the operating cycle?	_____	_____	_____
b. Collections received in advance of the delivery of goods or performance of services?	_____	_____	_____
c. Debts that arise from operations directly related to the operating cycle?	_____	_____	_____
d. Other liabilities whose regular and ordinary liquidation is expected to occur within a relatively short time period?	_____	_____	_____
e. Obligations that, by their terms, are due on demand or will be due within one year (or operating cycle, if longer) from the balance-sheet date, even though liquidation may not be expected within that period? [ARB 43, Ch. 3A, pars. 7—8 (AC B05.108—.109); SFAS 78, par. 5 (AC B05.109A and B05.118)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
★♦ 2. In classified statements of financial position, are current portions of debt obligations presented as current liabilities? [ARB 43, Ch. 3A, pars. 7—8 (AC B05.108—.109)]	_____	_____	_____
★♦ 3. In classified statements of financial position, do current liabilities exclude short-term obligations that the organization intends to refinance on a long-term basis, provided the organization demonstrates the ability to consummate the long-term financing? [SFAS 6, pars. 9—14 (AC B05.113—.116); FASBI 8 (AC B05.117 and B05.138—.139)]	_____	_____	_____
K. Notes Payable and Other Debt			
★♦ 1. Is there adequate disclosure of interest rates, maturities, and other terms and conditions provided in loan agreements and bond indentures, such as assets pledged as collateral, etc.? [SFAS 5, pars. 18—19 (AC C59.120); and Generally Accepted]	_____	_____	_____
★♦ 2. Are the combined aggregate amount of maturities and sinking fund requirements for all long-term borrowings disclosed for each of the five years following the date of the latest balance sheet presented? [SFAS 47, par. 10b (AC C32.105b)]	_____	_____	_____
★♦ 3. For unconditional purchase obligations that have been recorded in accordance with SFAS No. 47, par. 6, are the amount of payments due in the aggregate and for each of the five years following the date of the latest statement of financial position presented disclosed? [SFAS 47, par. 10a (AC C32.105a)]	_____	_____	_____
★♦ 4. If a note is noninterest bearing or has an inappropriate stated interest rate: <ul style="list-style-type: none"> a. Is the discount or premium presented as a deduction from or addition to the face amount of the note? b. Does the disclosure include the effective interest rate and face amount of the note? c. Is amortization of the discount or premium reported as interest in the statement of activity? d. Are issue costs reported in the statement of financial position as deferred charges? [APB 21, par. 16 (AC I69.109)] 	_____	_____	_____
★♦ 5. If a short-term obligation is to be classified as a long-term borrowing, do disclosures include: <ul style="list-style-type: none"> a. General description of the financing agreement? b. Terms of any new obligation incurred or expected to be incurred, as a result of the refinancing? [SFAS 6, par. 15 (AC B05.118)] 	_____	_____	_____
L. Lessee Leases			
★♦ 1. For capital leases, do disclosures include: <ul style="list-style-type: none"> a. Gross amounts of assets recorded by major classes as of the date of each statement of financial position presented? [SFAS 13, par. 16a (AC L10.112a(1))] b. Future minimum lease payments as of the date of the latest statement of financial position presented, in the aggregate and for each of the five succeeding fiscal years, with separate deductions therefrom for executory costs and imputed interest to reduce net minimum lease payments to present value? [SFAS 13, par. 16a (AC L10.112a (2))] c. Total of future minimum sublease rentals under noncancelable subleases as of the date of the latest statement of financial position presented? [SFAS 13, par. 16a (AC L10.112a (3))] 	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. Total contingent rentals actually incurred for each period for which a statement of activity is presented? [SFAS 13, par. 16a (AC L10.112a (4))]	_____	_____	_____
e. Separate identification of:			
(1) Assets recorded under capital leases?	_____	_____	_____
(2) Accumulated amortization of capital leases?	_____	_____	_____
(3) Obligations under capital leases?	_____	_____	_____
(4) Amount of amortization of capital lease assets or the fact that the amortization of capital lease assets is included in depreciation expense? [SFAS 13, par. 13 (AC L10.112a (5))]	_____	_____	_____
★◆ 2. For operating leases that have initial or remaining noncancelable lease terms in excess of one year, do disclosures include:			
a. Future minimum rental payments required as of the date of the latest statement of financial position presented in the aggregate and for each of the five succeeding fiscal years?	_____	_____	_____
b. Total of future minimum rentals to be received under noncancelable subleases as of the date of the latest statement of financial position presented? [SFAS 13, par. 16b (AC L10.112b)]	_____	_____	_____
★◆ 3. For all operating leases, do disclosures include rental expense for each period for which a statement of activities (or revenue and expenses, etc.) is presented, with separate amounts for minimum rentals, contingent rentals, and sublease rentals? [SFAS 13, par. 16c (AC L10.112c)]	_____	_____	_____
★◆ 4. Do disclosures include a general description of the lessee's leasing arrangements, including but not limited to:			
a. Bases for determining contingent rentals?	_____	_____	_____
b. Existence and terms of any renewal or purchase options or escalation clauses?	_____	_____	_____
c. Restrictions imposed by lease agreements (e.g., those concerning dividends, additional debt and further leasing?) [SFAS 13, par. 16d (AC L10.112d)]	_____	_____	_____
★◆ 5. Is the nature and extent of leasing transactions with related parties disclosed? [SFAS 13, par. 29 (AC L10.125)]	_____	_____	_____
M. Other Liabilities and Deferred Credits			
★◆ 1. Are grants subject to periodic renewal recorded as expenses and liabilities at renewal date with disclosure of the remaining commitment? [SOP 78-10, par. 102] VHWO Omit Step #2.	_____	_____	_____
◆ 2. Are balances of unexpended restricted gifts, grants and bequests reported as deferred revenue and support on the statement of financial position? [SOP 78-10, par. 62]	_____	_____	_____
★◆ 3. Are liabilities properly accrued and reported for employees' compensation for future absences? [SFAS 43, par. 6 (AC C44.104)]	_____	_____	_____
★◆ 4. If an obligation for postemployment benefits is not accrued in accordance with SFAS 5 or SFAS 43 only because the amount cannot be reasonably estimated, is the fact that the benefits have not been accrued disclosed in the financial statements? [SFAS 112, par. 7 (AC P32.105)]	_____	_____	_____
N. Trust Funds and Gifts of Future Interests			
◆ 1. Are funds held in trust by others, and that are not under the control of the organization, disclosed either parenthetically (in the endowment funds group in the balance sheet) or in the notes to the financial statements? [SOP 78-10, par. 122]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
★♦ 2. Is significant income from such trusts reported separately? [SOP 78-10, par. 122]	_____	_____	_____
★♦ 3. Is the basis of valuing gifts of future interests, e.g., life income and annuity gifts, and interest-free loans disclosed? [AAG-NPR 4.27]	_____	_____	_____
★♦ 4. Is the restrictive nature of other fund groups not mentioned in SOP 78-10 (e.g., those fund groups used to account for resources relating to activities, such as agency or custodial relationships, self-administered pensions, and permanent maintenance funds) disclosed? [SOP 78-10, par. 123]	_____	_____	_____
O. Net Assets/Fund Balances			
★ 1. Are limits on the use of unrestricted net assets (such as loan covenants and board-designated endowments) disclosed? [SFAS 117, par. 16 (AC No5.114)]	_____	_____	_____
♦ 2. Are unrestricted fund balances, designated for a specific purpose by the governing board of the organization, segregated on the balance sheet? [SOP 78-10, par. 120]	_____	_____	_____
♦ 3. Are internally designated fund balances, such as quasi-endowment funds or designated funds, excluded from donor-restricted fund balances and is a term such as "other than restricted" used to describe the fund? [AAG-VHW, par. 1.06; SOP 78-10, App. A—definition of quasi-endowment]	_____	_____	_____
♦ 4. Are restricted resources, such as endowment funds, shown separately in the fund section of the balance sheet? [SOP 78-10, par. 21]	_____	_____	_____
♦ 5. Is the nature of the restrictions on fund balances and deferred revenues disclosed? [SOP 78-10, par. 21]	_____	_____	_____
P. Restricted Resources			
★ 1. Are cash or other assets received with a donor-imposed restriction that limits their use to long-term purposes reported separately from assets that are unrestricted and available for current use? [SFAS 117, par. 11(AC No5.109)]	_____	_____	_____
★ 2. Does the organization provide information about the nature and amounts of different types of permanent restrictions and temporary restrictions by reporting their amounts on the face of the statement of financial position or by including relevant details in notes to financial statements? [SFAS 117, par. 14(AC No5.112)]	_____	_____	_____
♦ 3. Are significant restrictions disclosed in the financial statements? [SOP 78-10, par. 59c] VHWO Omit Step #4.	_____	_____	_____
♦ 4. Do the notes disclose the changes in deferred restricted amounts of gifts, grants, bequests, and other income? [SOP 78-10, Exhibit 1D, Note 7]	_____	_____	_____
III. Statement of Activities (or Statement of Revenue and Expenses, or Statement of Support and Revenue, Expenses, Capital Additions, and Changes in Fund Balances)			
A. General			
★ 1. Does the statement of activities report the amount of change in net assets for the period for the organization as a whole (using a descriptive term such as "change in net assets" or "change in equity"), and does that amount articulate to the net assets reported in the statement of financial position? [SFAS 117, par. 18 (AC No5.116)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
★ 2. Does the statement of activities report the amount of change in permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets for the period? [SFAS 117, par. 19 (AC No5.117)]	_____	_____	_____
★ 3. Does the statement of activities report the following:			
a. Revenues as increases in unrestricted net assets unless the use of the assets received is limited by donor-imposed restrictions?	_____	_____	_____
b. Expenses as decreases in unrestricted net assets?	_____	_____	_____
c. Events that simultaneously increase one class of net assets and decrease another (reclassifications), including expiration of donor-imposed restrictions, separately from revenues, expenses, gains, and losses? [SFAS 117, pars. 19-20 (AC No5.117-118); SFAS 116, par. 17 (AC No 5.146)]	_____	_____	_____
★ 4. If the organization reports an intermediate measure of operations (for example, excess or deficit of operating revenues over expenses), is this intermediate measure reported only in a financial statement that, at a minimum, reports the change in unrestricted net assets for the period? [SFAS 117, par. 23 (AC No5.120)]	_____	_____	_____
★ 5. If the organization's use of the term operations is not apparent from the details provided on the face of the statement of activities, does a note to financial statements describe the nature of the reported measure of operations or the items excluded from operations? [SFAS 117, par. 23 (AC No5.120)]	_____	_____	_____
★ 6. Does the statement of activities report gross amounts of revenues and expenses? [SFAS 117, par. 24 (AC No5.121)]	_____	_____	_____
★ 7. If the organization reports net gains and losses or revenue and expense on its statement of activities, do these net amounts result from peripheral or incidental transactions or from events largely beyond the control of the organization and its management? [SFAS 117, pars. 25 and 138 (AC No5.122)]	_____	_____	_____
B. Fund Accounting			
◆ 1. Does the statement of activity include the activity in the unrestricted, restricted, plant and endowment funds, as well as other capital funds that represent resources of the organization? [SOP 78-10, par. 26]	_____	_____	_____
◆ 2. If a columnar format is used, do the statements show a Total All Funds column? (Alternative formats are acceptable.) [SOP 78-10, pars. 37—40]	_____	_____	_____
◆ 3. If there are capital additions, are captions for the excess (deficiency) of revenue and support over expenses, both before and after capital additions, shown? [SOP 78-10, pars. 30—31]	_____	_____	_____
C. Taxes			
★◆ 1. Does the organization disclose the following information about its tax status:			
a. Reference to the Internal Revenue Code section under which the organization is exempt?	_____	_____	_____
b. Whether the organization is classified as a private foundation? [Generally Accepted]	_____	_____	_____
★◆ 2. If the organization is subject to federal excise tax on investment income or to federal and state income taxes on unrelated business income, are classifications and disclosures made in accordance with SFAS 109? [SOP 78-10, par. 103]	_____	_____	_____
★◆ 3. If the organization's tax exempt status is in question by the IRS, is the potential impact disclosed? [SFAS 5, pars. 1 and 39 (AC C59.101 and .145)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
D. Transfers			
★◆ 1. Are transfers of resources among fund groups reported as changes in net assets or of fund balances under the caption "net assets or fund balance at beginning of period"? (Note: this step is applicable for an organization that has adopted SFAS 117 only if the organization chooses to disaggregate classes of net assets into fund groups.)	_____	_____	_____
★◆ 2. Are transfers required under contractual arrangements with third parties and transfers as a result of the expiration of a term endowment fund disclosed separately? [SOP 78-10, par. 104] Organizations Other Than VHW Omit Step #3.	_____	_____	_____
◆ 3. Is the amount of realized (and, when applicable, unrealized) investment gains included in endowment funds that are available for transfer to the unrestricted fund at the discretion of the governing board, and the authority on which such funds may be transferred, disclosed? [AAG-VHW, par. 2.12]	_____	_____	_____
E. Third-Party Reimbursements			
★◆ 1. If the organization depends significantly on third-party reimbursement arrangements to carry out its program activities, do the financial statements adequately disclose these arrangements? [AAG-NPR, par. 3.18]	_____	_____	_____
F. Donated or Contributed Services			
★ 1. If the organization receives contributed services, does it disclose the following:			
a. A description of the programs or activities for which those services were used, including the nature and extent of contributed services received for the period and the amount recognized as revenues for the period?	_____	_____	_____
b. The fair value of contributed services received but not recognized, if practicable (optional)?	_____	_____	_____
c. Nonmonetary information such as the number and trends of donated hours received or service outputs provided by volunteer efforts (optional)?	_____	_____	_____
d. Dollar amount of contributions raised by volunteers (optional)? [SFAS 116, pars. 10 and 123 (AC C67.110)]	_____	_____	_____
◆ 2. Do the notes to the financial statements disclose the methods used in valuing, recording, and reporting donated or contributed services? [SOP 78-10, par. 70; AAG-VHW, par. 5.07]	_____	_____	_____
◆ 3. Do the notes indicate which donated or contributed services are recorded and which are not recorded? [SOP 78-10, par. 70; AAG-VHW, par. 5.07]	_____	_____	_____
G. Donated Materials and Facilities			
★◆ 1. If donated materials merely pass through the organization to its charitable beneficiaries, and the organization is only an agent for the donors, has that donation not been recorded as a contribution? [SFAS 116, pars. 52-53; SOP 78-10, par. 71; AAG-VHW, par. 5.03]	_____	_____	_____
H. Subscription and Membership Income			
★◆ 1. If dues, assessments, and nonrefundable initiation fees are in substance contributions and services are not to be provided to the member, are they recognized as revenue and support in the period the organization is entitled to them? [SOP 78-10, par. 84]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
I. Fund-Raising ¹⁴			
★◆ 1. If the organization receives significant support from the general public, are the expenses reported on a functional basis presenting separately expenses for program services, fund-raising, membership development, and management and general activities? [SOP 78-10, pars. 85—88 and 96; AAG-VHW, pars. 6.02—6.07]	_____	_____	_____
★◆ 2. If revenue from fund-raising affairs is reported net of expenses, are such expenses disclosed? [SOP 78-10, par. 93; AAG-VHW, par. 8.01]	_____	_____	_____
★◆ 3. Is the total cost of all fund-raising activities disclosed whether the organization reports expenses on a functional basis or some other basis? [SOP 78-10, par. 94; AAG-VHW, par. 6.13]	_____	_____	_____
★◆ 4. Do fund-raising expenses include any applicable portion of management salaries, depreciation, and other occupancy expenses? [SOP 78-10, par. 98; AAG-VHW, par. 6.10]	_____	_____	_____
★◆ 5. Is the total support received and the related fund-raising costs for the period disclosed? [SOP 78-10, par. 94; AAG-VHW, par. 6.13]	_____	_____	_____
★◆ 6. If joint costs of informational materials and activities that include fund-raising appeals are incurred and allocated between fund-raising and the appropriate program or management and general function, are the following disclosed:			
a. The fact that such costs have been allocated?	_____	_____	_____
b. The total amount allocated during the period?	_____	_____	_____
c. The portion allocated to each functional expense category? [SOP 87-2, par. 22; AAG-VHW, par. 6.11]	_____	_____	_____
J. Contributions			
★ 1. Does the organization distinguish between contributions received with permanent restrictions, those received with temporary restrictions, and those received without donor-imposed restrictions, so that they are reported as support increasing permanently restricted net assets, temporarily restricted net assets, or unrestricted net assets, respectively? [SFAS 116, par. 14 (AC No5.143)]	_____	_____	_____
★ 2. If donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support, is such treatment consistent from period to period and is the policy disclosed? [SFAS 117, par. 21; SFAS 116, par. 14 (AC No5.143)]	_____	_____	_____
★ 3. Does the organization report receipt of unconditional promises to give with payments due in future periods as restricted support, unless explicit donor stipulations or circumstances surrounding the receipt of the promise make clear that the donor intended the contribution to be used to support activities of the current period? [SFAS 116, par. 15 (AC No5.144)]	_____	_____	_____
★ 4. Does an organization that receives gifts of long-lived assets without donor stipulation about how long the donated asset must be used:			
a. Disclose its accounting policy of implying or not implying a time restriction that expires over the useful life of the asset?	_____	_____	_____
b. Report such support as restricted if it is the organization's policy to imply a time restriction that expires over the useful life of the donated asset?	_____	_____	_____

¹⁴ In September, 1993, the AICPA issued an exposure draft of a proposed Statement of Position, *Accounting for Costs of Materials and Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include a Fund-Raising Appeal*. The proposed SOP would apply to all not-for-profit organizations that report expenses by function and would require reporting the costs of all materials and activities that include a fund-raising appeal as fund-raising expenses, unless a program or management and general function has been conducted in conjunction with the appeal for funds. The disclosure requirements of the exposure draft of the SOP are not reflected in this checklist. The final SOP is expected to be issued in the fourth quarter of 1995.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. Report such support as unrestricted in the absence of such a policy? [SFAS 116, par. 16 (AC No5.145)]	_____	_____	_____
★ 5. Does an organization that receives unconditional promises to give in which cash promised will be received in future periods measure the fair value of the contribution as the present value of estimated future cash flows using a discount rate commensurate with the risks involved and report subsequent accruals of the interest element as contribution income increasing either the temporarily or permanently restricted class of net assets if the underlying promise to give is donor restricted? [SFAS 116, par. 20 (AC C67.116)]	_____	_____	_____
★ 6. In discounting unconditional promises to give (as described in Step 5.), are the provisions of APB 21 applied? [SOP 94-2, par. 20]	_____	_____	_____
◆ 7. Are restricted contributions that possess many of the characteristics of capital, and that cannot be spent for program or supporting services because of donor or legal restrictions, recorded as "capital additions" or "nonexpendable additions" and disclosed? [SOP 78-10, par. 28]	_____	_____	_____
K. Gifts of Future Interest			
1. Annuity Gifts			
★◆ a. Is the present value of the actuarially determined liability resulting from such gifts recorded at the date of the gift?	_____	_____	_____
★◆ b. Is any excess or deficiency in the amount of an annuity gift over the liability recorded as support in the year of the gift?	_____	_____	_____
◆ c. If the excess is restricted for specific purposes, has the excess been reported as deferred revenue?	_____	_____	_____
◆ d. Is the amount previously recorded as deferred revenue reflected as support or a capital addition at the future date when the terms of the annuity gift are met? [SOP 78-10, par. 121]	_____	_____	_____
2. Life Income Gifts			
◆ a. For the principal amount of life income gifts where the donor reserves the right to the income from the gift for life or some other stipulated period, is this principal amount recorded as deferred support in the period the gift is received?	_____	_____	_____
◆ b. Is the amount previously recorded as deferred support reflected as support or a capital addition when the terms of the life income gift are met? [SOP 78-10, par. 121]	_____	_____	_____
L. Expenses			
VHWO Omit Step #1			
★ 1. Does the organization provide information about expenses reported by their functional classification (such as major classes of program services and supporting services) either in the statement of activities or in notes to financial statements? [SFAS 117, par. 26 (AC No5.123)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Organizations Other Than VHWO Omit Step 2.			
★ 2. Does the organization report information about expenses both by function and by natural classification (such as salaries, rent, electricity, etc.) in a matrix format in a separate financial statement? [SFAS 117, par. 26 (AC No5.123)]	_____	_____	_____
◆ 3. Is a reasonable allocation of the organization's functional expenses made to various programs and supporting services, and is the method of these allocations disclosed? ¹⁵ [SOP 78-10, par. 100; AAG-VHW, Ch. 6]	_____	_____	_____
◆ 4. For deferred compensation agreements, are estimated amounts to be paid properly accrued? [APB 12, pars. 6—7 (AC C38.101—.102)]	_____	_____	_____
M. Wills			
★ 1. If the organization receives a promise to give conditioned on a future uncertain event that is contained in a will and the will has been declared valid by the probate court, has the organization disclosed the conditional promise to give? [SFAS 116, par. 208]	_____	_____	_____
N. Investments and Endowments			
★ 1. Does the organization report gains and losses on investments or other assets (or liabilities) as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulations or by law? [SFAS 117, par. 22 (AC No5.119)]	_____	_____	_____
★ 2. Does the organization report gains and losses on endowments in the following manner:			
a. As an increase or decrease in permanently restricted net assets if the governing board has determined that the relevant law requires the organization to retain permanently some portion of gains on investments? [SFAS 117, pars. 22 and 129 (AC No5.119)]	_____	_____	_____
b. As an increase or decrease in unrestricted or temporarily restricted net assets, whichever is consistent with the reporting of the endowment's income, in the absence of such a law noted in Step 2a? [SFAS 117, par. 129 (AC No5.119, fn. 8)]	_____	_____	_____
★ 3. If the organization elects to report investment revenues net of related expenses, does the organization disclose the amount of expenses, either on the face of the statement of activities or in the notes to financial statements? [SFAS 117, par. 24 (AC No5.121)]	_____	_____	_____
IV. Additional Financial Statements			
For Organizations Other Than VHWO:			
A. Statement of Changes in Financial Position¹⁶			
◆ 1. Is a statement of changes in financial position presented as a basic financial statement for each period for which a statement of activity (or statement of support, revenue, and expenses) is presented? [SOP 78-10, pars. 16 and 17, Exhibit 1C]	_____	_____	_____
◆ 2. Does the statement of changes in financial position disclose all financing and investing activities, including capital additions, and changes in deferred support and revenue? [SOP 78-10, par. 34]	_____	_____	_____

¹⁵ See footnote 14.

¹⁶ Not-for-profit organizations that have not adopted SFAS 117 are not subject to SFAS 95, *Statement of Cash Flows*. Therefore they may present either a statement of changes in financial position or a statement of cash flows. The AICPA Industry Guide, *Audits of Voluntary Health and Welfare Organizations*, states that because the information that would be presented in a statement of changes in financial position as discussed in APB 19 will, in most cases, be readily apparent from other financial statements, such a statement is generally not required.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
B. Statement of Cash Flows ¹⁷			
★◆ 1. Is a statement of cash flows presented as a basic financial statement for each period for which both a statement of financial position and a statement of activities is presented? [SFAS 95, par. 3 as amended by SFAS 117, par. 30a. (AC C25.101)]	_____	_____	_____
★◆ 2. Does the statement of cash flows report net cash provided or used by operating, investing, and financing activities and the net effect of those flows on cash and cash equivalents during the period in a manner that reconciles beginning and ending cash and cash equivalents? [SFAS 95, par. 26 (AC C25.124)]	_____	_____	_____
★◆ 3. Are cash receipts and disbursements classified as cash flows from operating, investing, and financing activities in accordance with the classifications prescribed by SFAS 95, paragraphs 14 through 24 (as amended by SFAS 102 and SFAS 117)? [SFAS 95, pars. 14 - 24 as amended by SFAS 102 and SFAS 117 (AC C25.112-122)]	_____	_____	_____
★◆ 4. Do the notes disclose the organization's accounting policy for determining which items are treated as cash equivalents? (Note: any change in policy for determining which items are treated as cash equivalents is a change in accounting principle.) [SFAS 95, par. 10 (AC C25.108)]	_____	_____	_____
★◆ 5. Does the statement of cash flows separately report:			
a. Cash received from contributors?	_____	_____	_____
b. Cash received from service recipients?	_____	_____	_____
c. Interest and dividends received?	_____	_____	_____
d. Cash collected on pledges?	_____	_____	_____
e. Other operating cash receipts (if any)?	_____	_____	_____
f. Cash paid to employees and suppliers?	_____	_____	_____
g. Grants paid?	_____	_____	_____
h. Interest paid?	_____	_____	_____
i. Other operating cash payments (if any)? [SFAS 95, par. 27 as amended by SFAS 117, par. 30e. (AC C25.125)]	_____	_____	_____
★◆ 6. If the direct method is used, is a separate reconciling schedule provided to reconcile the change in net assets or excess of revenue and support over expenses, as applicable, to net cash used (provided) by operating activities? [SFAS 95, par. 29 (AC C25.127)]	_____	_____	_____
★◆ 7. If the indirect method is used, is the change in net assets or excess of revenue and support over expenses, as applicable, reconciled to net cash flow from operating activities within the statement of cash flows or in a separate schedule? [SFAS 95, pars. 28 and 30 as amended by SFAS 117, par. 30f. (AC C25.126 and .128)]	_____	_____	_____
★◆ 8. Are investing and financing activities that affect recognized assets or liabilities but that do not result in cash receipts or cash payments disclosed? [SFAS 95, par. 32 as amended by SFAS 117, par. 30g. (AC C25.134)]	_____	_____	_____
★ 9. In its statement of cash flows, does the organization include in cash flows from financing activities any amounts received with donor-imposed stipulations that they must be used for long-term purposes? [SFAS 117, par. 30(c) (AC C25.116)]	_____	_____	_____

¹⁷ See note 16.

Yes No N/A

FOR VHWOs:

C. Statement of Functional Expenses

- ★♦ 1. Is a statement of functional expenses presented as a basic financial statement for each period for which a statement of support, revenue, and expenses is presented?
[AAG-VHW, par. 6.17; SFAS 117, par. 26 (AC No5. 123)]
- ★♦ 2. Does the statement of functional expenses contain sufficient information to enable a reader to obtain a general understanding of the nature of the costs of carrying out the organization's activities?
[AAG-VHW, par. 6.17; SFAS 117, par. 26 (AC No5. 123)]

_____	_____	_____
_____	_____	_____

Exhibit A

Postretirement Health Care and Life Insurance Benefits

The effective date of SFAS 106 is for fiscal years beginning after December 15, 1992, except for plans outside the United States, and for defined benefit plans of employers that (a) are nonpublic entities and (b) sponsor-defined benefit postretirement plan(s) with no more than 500 plan participants in the aggregate, in which case the effective date is for fiscal years beginning after December 15, 1994. Earlier application is encouraged. If the not-for-profit organization has 500 or fewer plan participants and does not elect early application, the following disclosures remain in effect:

- ★♦ 1. Do disclosures include:
 - a. Description of benefits and employee groups covered?
 - b. Description of accounting and funding policies?
 - c. Cost of benefits recognized during the period unless the provisions of Step 2 apply?
 - d. Effect of significant matters affecting the comparability of the costs recognized for all periods presented?
[SFAS 81, par. 6 (AC P50.102)]
- ★♦ 2. If the cost of any postretirement health care or life insurance benefit cannot readily be separated from the cost of providing such benefits for active employees or otherwise be reasonably approximated, is the total cost of providing those benefits to both active employees and retirees as well as the number of active employees and the number of retirees covered by the plan disclosed?
[SFAS 81, par. 7 (AC P50.103)]

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Exhibit B

Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of

SFAS 121 establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles, and goodwill related to assets to be held and used or disposed of. This standard is effective for financial statements for fiscal years beginning after December 15, 1995; however, earlier application is encouraged. Restatement of previously issued financial statements is not permitted.

- ★♦ 1. If an impairment loss is recognized for assets to be held and used, are the following disclosures made in financial statements that include the period of the impairment write-down:
 - a. A description of the impaired assets and the facts and circumstances leading to the impairment?
 - b. The amount of the impairment loss and how fair value was determined?
 - c. The caption in the statement of activities in which the impairment loss is aggregated if that loss has not been presented as a separate caption or reported parenthetically on the face of the statement?
[SFAS 121, par. 14]

_____	_____	_____
_____	_____	_____
_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>★♦ 2. If assets to be disposed of are accounted for in accordance with paragraphs 15-17 of SFAS 121, <i>Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of</i>, are all of the following disclosed in financial statements that include a period during which those assets are held:</p> <p>a. A description of assets to be disposed of, the facts and circumstances leading to the expected disposal, the expected disposal date, and the carrying amount of those assets?</p> <p>b. The loss resulting from the application of paragraph 15 of SFAS 121?</p> <p>c. The gain or loss, resulting from changes in the carrying amounts of assets to be disposed of that arises from application of paragraph 17 of SFAS 121.</p> <p>d. The caption in the statement of activities in which the gains or losses in (b) and (c) are aggregated if those gains or losses have not been presented as a separate caption or reported parenthetically on the face of the statement.</p> <p>e. The results of operations for assets to be disposed of to the extent that those results are included in the entity's results of operations for the period and can be identified. [SFAS 121, par. 19]</p>	____	____	____
<p>★♦ 3. If an impairment loss is recognized, is it reported as a component of income from continuing operations before income taxes, or similar caption, in the statement of activities? [SFAS 121, pars. 13 and 18]</p>	____	____	____

FSP Section 9400

Auditors' Reports Checklist

.01 This checklist has been developed by the staff of the Technical Information Division of the AICPA as a nonauthoritative practice aid.

.02 Explanation of References:

- SAS = Statement on Auditing Standards
- AU = Reference to section number in *AICPA Professional Standards (Vol. 1)*
- AAG-NPR = AICPA Audit and Accounting Guide, *Audits of Certain Nonprofit Organizations* (with conforming changes as of May 1, 1994)
- SOP = AICPA Statement of Position
- AAG-VHW = AICPA Industry Audit Guide, *Audits of Voluntary Health and Welfare Organizations* (with conforming changes as of May 1, 1994)

.03 Checklist Questionnaire

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
1. Does the auditor's report include the appropriate:			
a. Addressee? [SAS 58, par. 9 (AU 508.09)]	_____	_____	_____
b. Date (or dual dates) of the report? [SAS 1, sec. 530.05 (AU 530.05); SAS 58, pars. .08 and .46 (AU 508.08 and .46)]	_____	_____	_____
c. Title that includes the word "independent"? [SAS 58, par. 8 (AU 508.08)]	_____	_____	_____
2. If the auditor is not independent, is a compilation report the highest level of service performed? [SAS 26, par. 10 (AU 504.10); SSARS 1, pars. 22 and 38 (AR 100.22 and .38)]	_____	_____	_____
3. Does the reporting language conform with the auditor's standard report on:			
a. Financial statements of a single year or period?	_____	_____	_____
b. Comparative financial statements? [SAS 58, par. 8 (AU 508.08)]	_____	_____	_____
4. Does the report include appropriate language for the following situations:			
a. Only one basic financial statement is presented and there are no scope limitations? [SAS 58, pars. 47—48 (AU 508.47—.48)]	_____	_____	_____
b. Audited and unaudited financial statements are presented in comparative form? [SAS 26, pars. 14—17 (AU 504.14—.17)]	_____	_____	_____
5. Is an explanatory paragraph (or other explanatory language) added to the standard auditor's report if:			
a. The financial statements are affected by uncertainties concerning future events, the outcome of which is not susceptible of reasonable estimation at the date of the report? [SAS 58, pars. 16—33 (AU 508.16—.33)]	_____	_____	_____

Note: Consult the Topical Index to the *AICPA Professional Standards* under "Uncertainties" for additional references to specific types of uncertainties.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. There is substantial doubt about the organization's ability to continue as a going concern for a reasonable period of time, and is that conclusion expressed through the use of the phrase "substantial doubt about the organization's ability to continue as a going concern"? [SAS 64, par. 12 (AU 341.12)]	_____	_____	_____
c. There is a material change between periods in accounting principles or in the method of their application? [SAS 58, pars. 34—36 (AU 508.34—.36)]	_____	_____	_____
d. In an updated report on comparative financial statements, the current opinion on the prior period is different from the one previously expressed? [SAS 58, pars. 77, 78 and 81—83 (AU 508.77—.78 and .81—.83)]	_____	_____	_____
e. The prior period financial statements are audited by a predecessor auditor whose report is not presented? [SAS 58, par. 83 as amended by SAS 64, par. 2 (AU 508.83)]	_____	_____	_____
f. The auditor's opinion is based in part on the report of another auditor? [SAS 1, sec. 543 (AU 543); SAS 58, pars. 12—13 (AU 508.12—.13)]	_____	_____	_____
g. The financial statements contain a departure from a promulgated accounting principle when conformity with GAAP would result in a misleading presentation? [SAS 58, pars. 14—15 (AU 508.14—.15)]	_____	_____	_____
h. Other information in a document containing audited financial statements is materially inconsistent with information appearing in the financial statements? [SAS 8, par. 4 (AU 550.04)]	_____	_____	_____
i. The auditor decides to emphasize a matter in the report? [SAS 58, par. 37 (AU 508.37); Interpretation 38 of SAS 1, sec. 410 (AU 9410.17); Interpretation 1 of SAS 57 (AU 9342.03)]	_____	_____	_____
j. The auditor uses the work of a specialist in performing an audit and the auditor decides to add an explanatory paragraph? Note: Reference to and identification of the specialist may be made if the auditor believes such a reference will facilitate an understanding of the reason for the explanatory paragraph. [SAS 73, par. 16 (AU 336.16)]	_____	_____	_____
6. Is a qualified opinion or disclaimer of opinion expressed if:			
a. Scope limitations preclude application of one or more auditing procedures considered necessary in the circumstances? [SAS 58, pars. 40—45 (AU 508.40—.45); SAS 31, par. 22 (AU 326.23)]	_____	_____	_____
b. The organization has inadequate internal control structure policies and procedures over contributions and there is a significant risk that such revenue may be materially underrecorded? [AAG-VHW, par. 4.15; AAG-NPR, pars. 8.06—.07] Note: Consult the Topical Index to the <i>AICPA Professional Standards</i> under "Scope of Audit-Limitations" for additional references to specific types of scope limitations that could result in either a qualified or disclaimer of opinion.	_____	_____	_____
7. Is a qualified opinion or adverse opinion expressed if a lack of conformity with GAAP (including inadequate disclosure) is present? [SAS 58, pars. 49—69 (AU 508.49—.69); SAS 32, par. 3 (AU 431.03)] Note: Consult the Topical Index to the <i>AICPA Professional Standards</i> under "Departures from Established Principles," "Adverse Opinions," and "Qualified Opinions" for additional references to specific types of GAAP departures that could result in either a qualified or adverse opinion.	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
8. If a qualified opinion, adverse opinion, or disclaimer of opinion is expressed, are all the substantive reasons for the opinion or disclaimer disclosed and is the reporting language appropriately modified? [SAS 58, pars. 39, 68—69, and 71 (AU 508.39, .68—69 and .71)]	_____	_____	_____
9. If information accompanies the basic financial statements in an auditor-submitted document, does the report on the accompanying information:			
a. State that the audit is performed for the purpose of forming an opinion on the basic financial statements taken as a whole?	_____	_____	_____
b. Specifically identify the accompanying information?	_____	_____	_____
c. State that the accompanying information is presented for purposes of additional analysis and is not part of the basic financial statements?	_____	_____	_____
d. State whether the accompanying information is subject to the auditing procedures applied in an audit of the basic financial statements and the appropriate expression of opinion or disclaimer? [SAS 29, pars. 6—11 (AU 551.06—.11)]	_____	_____	_____
10. Is the reporting form and content of SAS 60, paragraphs 9—19, followed when communicating internal control structure related matters noted in an audit? ¹ [SAS 60, pars. 9—19 (AU 325.09—.19)]	_____	_____	_____
11. If the auditor is requested to audit Internal Revenue Form 990, "Return of Organizations Exempt From Income Tax," is the appropriate report prepared? [Interpretation 2 of SAS 62, sec. 623 (AU 9623.47—.54)]	_____	_____	_____
12. If during a GAAS audit of the financial statements the auditor becomes aware that the organization is subject to an audit requirement not encompassed in the terms of the engagement (e.g., the entity is required to have an audit performed in accordance with OMB Circular A-133), the auditor must communicate to management and the audit committee, or to others with equivalent authority and responsibility that a GAAS audit may not satisfy relevant legal, regulatory, or contractual requirements. Did the auditor consider the client's actions in response to such communication (e.g., not arranging for an audit that meets the applicable requirements) including the potential effect on the financial statements and auditor's report? [SAS 74, pars. 22—23]	_____	_____	_____

¹ Reportable conditions in internal control structure that have not been corrected must be communicated, preferably in writing, to senior management and the board of trustees or its audit committee. [SAS 60]

FSP Section 9500

*Auditors' Reports on Audits Performed Under Government Auditing Standards and Under OMB Circular A-133 Checklist*¹

.01 This checklist has been developed by the staff of the Technical Information Division of the AICPA as a nonauthoritative practice aid. Accordingly, the notice on page i is incorporated herein by reference.

.02 This checklist has two parts: Part I is for reports on audits performed under Government Auditing Standards ("Yellow Book"). Part II contains the additional requirements for reports on audits performed in accordance with OMB Circular A-133. For audits performed under Circular A-133, both Parts I and II of this checklist must be completed.

.03 Explanation of References:

- A-133 = Office of Management and Budget (OMB) Circular A-133
- GAS = *Government Auditing Standards* ("Yellow Book," issued by GAO, 1994 Revision)
- SAS = Statement on Auditing Standards
- AU = Reference to section number in *AICPA Professional Standards, Volume I* of SAS cited
- SOP 92-9 = AICPA Statement of Position, *Audits of Not-for-Profit Organizations Receiving Federal Awards*

.04 Checklist Questionnaire

Yes No N/A

Part I—Reports on Audits Performed in Accordance with *Government Auditing Standards* (the "Yellow Book")

1. In an audit performed in accordance with the Yellow Book, are the following reports issued:
 - a. A report on the organization's basic financial statements?² _____
 - b. A report on internal control structure? _____
 - c. A report on compliance with laws and regulations that may have a direct and material effect on the basic financial statements?
[SOP 92-9, par. 7.2] _____

¹ On March 8, 1990, The Office of Management and Budget issued Circular A-133, *Audits of Institutions of Higher Education and Other Nonprofit Institutions*, to implement a "single audit" requirement for nonprofit institutions. Circular A-133 requires that the auditor perform the audit in accordance with *Government Auditing Standards* (the "Yellow Book") issued by the Comptroller General of the United States.

SAS No. 74, *Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance*, (which supersedes SAS 68) provides guidance on planning, performing, and reporting on the compliance aspects of audits in accordance with GAAS, GAO Standards, Circular A-133 and Circular A-128, which applies to state and local governmental entities.

On December 28, 1992, the AICPA issued SOP 92-9, *Audits of Not-for-Profit Organizations Receiving Federal Awards*, to provide guidance on the auditor's responsibilities when conducting an audit in accordance with Circular A-133. It incorporates the guidance in SAS 68 (which has been superseded by SAS 74), SOP 92-7, OMB's October 1991 *Compliance Supplement for Audits of Institutions of Higher Learning and Other Non-Profit Institutions*, and the President's Council on Integrity and Efficiency Standards Subcommittee's Position Statement No. 6 (A-133 Questions and Answers).

² See checklist for auditor's reports on the basic financial statements.

Yes No N/A

2. Does each auditor’s report listed in Step No. 1 above contain a statement that the audit was conducted in accordance with GAAS and the Yellow Book? ³
[GAS, Ch. 5, par. 11; SOP 92-9, par. 7.4]

Report on Internal Control Structure ⁴

3. Does the report on internal control structure conform to the standard report illustrated in Exhibit D-3 of Appendix D of SOP 92-9?
[GAS, Ch. 5, pars. 17 and 18; SOP 92-9, Appendix D, Exhibit D-3]

4. If material weaknesses were noted, is the condition, cause, criteria, and effect of those material weaknesses included in the report?
[GAS, Chap. 6, pars. 49-52]

5. If deficiencies in the internal control structure were not considered reportable conditions (referred to as “nonreportable conditions”), are those matters communicated to the organization in writing (or orally, with working paper documentation)?
[GAS Chap. 5, par. 28 and Chap. 7, par. 29]

6. If a separate written communication describing nonreportable conditions is issued, does the auditor’s report on the internal control structure refer to that separate communication?
[SOP 92-9, par. 7.12]

7. If no reportable conditions are noted during the audit, has the report on internal control structure been modified in accordance with Note 3 to Exhibit D-3 of appendix D to SOP 92-9?
[SOP 92-9, par. 7.11]

Report on Compliance With Laws and Regulations

8. Does the report on compliance with laws and regulations (included in either the report on the financial statements or a separate report) conform to the standard report illustrated in Exhibits D-4 to D-7 in Appendix D of SOP 92-9?

9. Does the report on compliance with laws and regulations contain:
- a. A statement of positive assurance on those items that were tested for compliance and negative assurance on those items not tested?
[SOP 92-9, par. 7.13]
 - b. All material instances of noncompliance?
[SOP 92-9, par. 7.16]
 - c. All instances of illegal acts have or are likely to have occurred, described in perspective?
[GAS, Chap. 5, pars. 18-19]

10. In rare circumstances in which the auditor has decided not to test compliance with laws and regulations, does the report contain a statement that compliance with laws and regulations is not tested?
[SOP 92-9, Appendix D, Exhibit D-7]

11. Did the auditor consider the best estimate of total costs questioned for each major federal financial assistance program (likely questioned costs) in evaluating the effect of questioned costs on the opinion on compliance?
[SAS 74, par. 18]

12. If the auditing procedures disclosed material instances of noncompliance, is the report on compliance appropriately modified?
[SAS 74, par. 19; GAS, Chap. 7, pars. 26-27]

³ SOP 92-9, paragraph 7.4, states that federal reviewers accept reports on the basic financial statements only that do not refer to *Government Auditing Standards*. However, state reviewers and others may insist on full compliance with the “Yellow Book” requirement. Practitioners are advised to determine the requirements of any non-federal reviewers before deleting the reference to *Government Auditing Standards* in reports on the basic financial statements.

⁴ Under the Yellow Book, a report on the internal control structure is required in *all* audits, even if no reportable conditions were noted. Also, the matters contained in this report are beyond those required to be communicated under SAS 60 (AU 325) in a GAAS audit.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
13. If the report contains material instances of noncompliance, is the effect of such instances on the auditor's report on the basic financial statements considered? [SAS 74, par. 20]	_____	_____	_____
14. Are immaterial instances of noncompliance reported in a separate communication to the organization? ⁵ [GAS, Chap. 7, par. 29; SAS 74, par. 19]	_____	_____	_____
15. If the auditor issued a separate letter describing immaterial instances of noncompliance, did the compliance report include a reference to that letter? [SOP 92-9, par. 7.16]	_____	_____	_____
16. If the auditor became aware of illegal acts or of possible illegal acts, are they communicated to management or to the appropriate oversight body? [GAS, Chap. 5, par. 18]	_____	_____	_____
17. If the auditor became aware of illegal acts and remains uncertain about whether they will materially affect the financial statements, is the report qualified or a disclaimer of opinion issued? [SOP 92-9, par. 7.18]	_____	_____	_____

Other Matters

18. If performance audits are required by contractual obligations, are findings presented in accordance with the Yellow Book? [GAS, Ch. 7]	_____	_____	_____
19. Does the auditor's report on the financial statements disclose the status of known but uncorrected significant or material findings and recommendations from prior audits that could have an effect on the current audit objective? [GAS, Ch. 4, par. 10; SOP 92-9, par. 7.41]	_____	_____	_____
20. Did the auditor consider the impact on his or her report of the effects of noncompliance findings from other simultaneous audits that may result in claims for refunds? [SOP 92-9, par. 7.43; See also SFAS 5 (AC C59)]	_____	_____	_____
21. Do the reports on the schedule of federal awards, compliance, and internal control structure carry the same date as the report on the basic financial statements? [SOP 92-9, par. 7.27]	_____	_____	_____

Part II—Reports on Audits Performed Under OMB Circular A-133

1. If the organization is subject to the requirements of Circular A-133, are the following additional reports issued:			
a. A report on a supplementary schedule of the entity's federal awards? ⁶	_____	_____	_____
b. A report on the internal control policies and procedures used to administer federal awards?	_____	_____	_____
c. A report on compliance with specific laws and regulations that may have a direct and material effect on each major program?	_____	_____	_____
d. A report on compliance with certain laws and regulations applicable to nonmajor programs? ⁷	_____	_____	_____
e. A report on compliance with general requirements? ⁸ [SOP 92-9, par. 7.19]	_____	_____	_____

⁵ If there are no immaterial instances of noncompliance, the auditor may so note in the report. [SOP 92-9, par. 7.24]

⁶ Under Circular A-133, a recipient or subrecipient of an award is required to prepare a schedule of federal awards. A sample schedule is presented in Appendix E of SOP 92-9. [Attachment to Circular A-133, par. 15(c)(1), SOP 92-9, pars. 4.7 and 7.20]

⁷ If the entity has no nonmajor programs, or if the auditor has not selected any nonmajor program transactions, this report is not required. [SOP 92-9, par. 7.26]

⁸ A report on compliance with general requirements is required regardless of whether there are any major programs. [SOP 92-9, par. 7.25]

Yes No N/A

2. Does each auditor’s report listed in Step no. 1 above contain a statement that the audit was conducted in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133? [SOP 92-9, Appendix D, Exhibits D-8 through D-18]

Report on Internal Control Structure Used in Administering Federal Awards

3. Does the report on the internal control structure used in administering federal awards conform to the standard report illustrated in Exhibit D-8 in Appendix D of SOP 92-9?

4. Does the report on internal control structure include:

a. If applicable, a statement that the auditor has audited the financial statements and a reference to the auditor’s report on the financial statements?

b. A description of the scope of the auditor’s work to obtain an understanding of the internal control structure, to assess control risk, and to test the internal control structure policies and procedures?

c. A description of the organization’s significant control policies and procedures established to provide reasonable assurance that it is managing its federal awards in compliance with applicable laws and regulations?

d. Any reportable conditions noted, including the identification of material weaknesses? [SOP 92-9, par. 7.22]

5. If the auditor determines that tests of controls are likely to be ineffective in preventing or detecting noncompliance, is that matter disclosed as a “reportable condition”? [SOP 92-9, par. 7.23]

6. If the auditor has limited his or her consideration of the internal control structure for any reason, are the circumstances disclosed in the report on the internal control structure? [SOP 92-9, par. 7.23]

Report on Compliance With Specific Requirements Related to Major Programs

7. For audits of major programs, does the report on compliance with specific requirements conform to the standard report illustrated in Exhibits D-9 through D-14 in Appendix D of SOP 92-9?

8. If the auditor is disclaiming an opinion due to a scope limitation:

a. Are the reasons indicated, in a separate paragraph, as to why the audit did not comply with GAAS, the Yellow Book, or Circular A-133?

b. Is a statement included that the scope of the audit was not sufficient to warrant the expression of an opinion?

c. Does the report exclude identification of the procedures performed and exclude a paragraph describing the characteristics of an audit?

d. Does the auditor disclose any reservations he or she has regarding compliance with applicable laws and regulations? [SOP 92-9, Appendix D, Exhibit D-13]

9. If the auditing procedures disclosed instances of noncompliance on major programs:

a. Did the resulting modification to the auditor’s report on compliance consider factors that include:

(1) The number and types of instances of noncompliance?

(2) Determinability of questioned costs?

(3) Materiality of questioned costs?

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. If, after considering those factors, the auditor concludes that the instances of noncompliance have a material effect on a federal program, was a qualified or adverse opinion issued?	_____	_____	_____
<u>or</u>			
c. If, after considering those factors, the auditor is unable to determine if the instance of noncompliance could have a material effect on the program, does the report state that noncompliance occurred but the effect on the programs presently cannot be determined?	_____	_____	_____
(1) Is the effect of such uncertainties considered, and if necessary, is the report on the basic financial statements modified? [SOP 92-9, par. 7.24]	_____	_____	_____
10. If the auditor was unable to examine appropriate evidence to support the comply/noncomply decision, is the report appropriately modified? [SOP 92-9, par. 7.24]	_____	_____	_____
Report on Compliance With General Requirements			
11. Does the report on compliance with general requirements conform to the standard report illustrated in Exhibits D-15 through D-17 in Appendix D of SOP 92-9?	_____	_____	_____
Report on Compliance Related to Nonmajor Programs			
12. For nonmajor programs, does the report on compliance conform to the standard report illustrated in Exhibit D-18 in Appendix D of SOP 92-9?	_____	_____	_____
General			
13. Does each auditor's report on compliance with laws and regulations include, for each federal award:			
a. An identification of total amounts questioned as a result of noncompliance?	_____	_____	_____
b. Any corrective action recommended by the auditor? [SOP 92-9, pars. 7.30 and 7.32]	_____	_____	_____
14. Are any immaterial findings included either (1) in a schedule of findings and costs, or (2) in a separate communication to management? [SOP 92-9, par. 7.30]	_____	_____	_____
15. If the audit is biennial, are both years within the period covered? [SOP 92-9, par. 2.47]	_____	_____	_____

FSP Section 9600

Accountants' Reports on Compiled or Reviewed Financial Statements Checklist

.01 This checklist has been developed by the staff of the Technical Information Division of the AICPA as a nonauthoritative practice aid.

.02 Explanation of References:

SSARS = AICPA Statement on Standards for Accounting and Review Services

AR = Reference to section number in AICPA *Professional Standards, Volume II*

.03 This checklist is divided into two parts. Part I should be used by accountants engaged to compile financial statements and Part II should be used by accountants engaged to review financial statements.

.04 Checklist Questionnaire

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Part I—For Compilation Engagements			
1. Is the compilation report appropriately worded to state that:			
a. A compilation is performed in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants?	_____	_____	_____
b. A compilation is limited to presenting in the form of financial statements information that is the representation of management? [See SSARS 3, par. 3 (AR 300.03) for reporting on financial statements included in a prescribed form, and the form calls for departure from GAAP]	_____	_____	_____
c. The financial statements are not audited or reviewed and, accordingly, the accountant does not express an opinion or any other form of assurance on them? [SSARS 1, par. 14 (AR 100.14)]	_____	_____	_____
2. Does the report exclude a description of any other procedures that the accountant might have performed before or during the engagement? [SSARS 1, pars. 14 and 32 (AR 100.14 and .32)]	_____	_____	_____
3. For compiled financial statements that contain departures ¹ from GAAP or, where applicable, an other comprehensive basis of accounting (OCBOA):			
a. If the departure is the omission of substantially all required disclosures, does the accountant's report clearly indicate such omission? [SSARS 1, pars. 19 and 21 (AR 100.19 and .21)]	_____	_____	_____
b. If compiled financial statements that omit substantially all of the disclosures required by GAAP include disclosures about only a few matters, are such disclosures labeled "Selected Information—Substantially All Disclosures Required by GAAP (or, where applicable, OCBOA) Are Not Included" ? [SSARS 1, par. 19 (AR 100.19)]	_____	_____	_____

¹ Other than departures required by a prescribed form or related instructions when the accountant issues a SSARS 3 (AR 300) compilation report on financial statements included in a prescribed form.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. If compiled financial statements that omit substantially all required disclosures are prepared on a basis of accounting other than GAAP, and if such financial statements do not include disclosure of the basis of accounting used, does the accountant's report disclose the basis of accounting? ² [SSARS 1, par. 20 (AR 100.20)]	_____	_____	_____
d. If compiled financial statements contain a departure from GAAP or, where applicable, OCBOA, does the accountant modify his or her report to disclose the departure in a separate paragraph? [SSARS 1, pars. 39 and 40 (AR 100.39 and .40)]	_____	_____	_____
(1) If the effects of the departure on the financial statements are determined by management or are known as a result of the accountant's procedures, are these effects also disclosed in the modified report? [SSARS 1, par. 40 (AR 100.40)]	_____	_____	_____
(2) If the effects of the departure on the financial statements are not determined, does the accountant state this in his or her report? [SSARS 1, par. 40 (AR 100.40)]	_____	_____	_____
4. If the accountant is not independent with respect to the organization, does the last paragraph of the compilation report state, "I am (We are) not independent with respect to XYZ organization"? [SSARS 1, pars. 22 and 38 (AR 100.22 and 100.38)]	_____	_____	_____
5. Is the report dated as of the date that substantially all compilation procedures have been completed? [SSARS 1, par. 15 (AR 100.15)]	_____	_____	_____
6. Does each page of the financial statements compiled by the accountant include a reference such as "See Accountant's Compilation Report"? [SSARS 1, par. 16 (AR 100.16)]	_____	_____	_____
7. If the financial statements do not appropriately disclose an uncertainty, including an uncertainty about an entity's ability to continue as a going concern or an inconsistency in the application of accounting principles, does the report include a separate paragraph that discloses such matters? [SSARS 1, par. 40, fn. 18 (AR 100.40, fn. 18)]	_____	_____	_____
8. If the accountant compiles both the basic financial statements and other data that is presented for supplementary analysis purposes, does the compilation report also include the other data indicating the degree of responsibility taken? [SSARS 1, par. 43 (AR 100.43)]	_____	_____	_____
9. If an audit or review engagement is changed to a compilation, does the report omit reference to: (a) the original engagement, (b) any auditing or review procedures that may have been performed, and (c) any scope limitation that results in the changed engagement? [SSARS 1, par. 49 (AR 100.49)]	_____	_____	_____
10. If comparative financial statements are presented, does the accountant's report cover each period presented? [SSARS 2, par. 2 (AR 200.02)]	_____	_____	_____
11. If compiled financial statements that omit substantially all of the disclosures required by GAAP are presented with the comparative financial statements that previously included all disclosures, do all the periods presented also omit such disclosures? [SSARS 2, par. 5 (AR 200.05)]	_____	_____	_____

² SAS 62, paragraphs 9 and 10 (AU Secs. 623.09—10), provides guidance on evaluating the adequacy of disclosure in financial statements prepared in conformity with OCBOA.

FSP Section 9700

Illustrative Financial Statements

.01 The following illustrative auditor's reports and financial statements (exhibits 1 and 2) demonstrate financial statement formats and disclosures appropriate for organizations that have and that have not adopted SFAS 116 and 117. These illustrations are not intended to represent the *only* appropriate presentation and disclosure formats, however. Not-for-profit organizations are urged to develop financial statement formats that are appropriate for their individual circumstances while being consistent with the accounting and reporting practices promulgated. Furthermore, the illustrative financial statements do not include all disclosures and presentation items promulgated.

Exhibit 1—SFAS 116 and 117 have been adopted

Independent Auditor's Report

The Board of Directors
Big Brothers of Any County, Inc.

We have audited the accompanying statement of financial position of Big Brothers of Any County, Inc. (an Any State non-for-profit corporation) as of December 31, 19X4 and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers of Any County, Inc. as of December 31, 19X4, and the changes in net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 8 to the financial statements, in 19X4 the Organization changed its method of accounting for contributions and its method of financial reporting and financial statement presentation.

[Signature]

[Date]

The checklists and illustrative financial statements do not include all disclosures and presentation items promulgated.

EXHIBIT 1—SFAS 116 and 117 have been adopted

Big Brothers of Any County, Inc.

Statement of Financial Position

December 31, 19X4

Assets

Current assets	
Cash and cash equivalents	\$ 36,450
Contributions receivable (Note 2)	42,100
Leasehold interest, current (Note 3)	34,500
Prepaid expenses	3,800
Deposit	2,000
Total current assets	<u>118,850</u>
Noncurrent assets	
Vehicles and office equipment (Note 4)	26,400
Leasehold interest, noncurrent (Note 3)	213,950
Investments (Note 5)	67,800
Total noncurrent assets	<u>308,150</u>
Total assets	<u>\$ 427,000</u>

Liabilities and Net Assets

Current liabilities	
Accounts payable and accrued expenses	\$ 34,500
Net assets	
Unrestricted	68,150
Temporarily restricted (Note 9)	266,550
Permanently restricted (Note 10)	57,800
Total net assets	<u>392,500</u>
Total liabilities and net assets	<u>\$ 427,000</u>

The accompanying notes are an integral part of these financial statements.

Big Brothers of Any County, Inc.

Statement of Activities

Year Ended December 31, 19X4

Changes in Unrestricted Net Assets

Revenues	
Contributions	\$ 91,400
Program revenue	212,600
Special events, net of direct costs in the amount of \$14,000	22,200
Donated goods and facilities	34,800
Donated services	4,500
Interest and dividends	3,050
Total unrestricted revenue	<u>368,550</u>
Net assets released from restrictions	
Expiration of time restrictions	27,000
Total unrestricted revenues and other support	<u>395,550</u>
Expenses	
Program expenses	335,300
Management and general	41,350
Fund-raising expenses	46,050
Total expenses	<u>422,700</u>
Decrease in unrestricted net assets	<u>(27,150)</u>
Changes in Temporarily Restricted Net Assets	
Contributions	18,100
Donated facilities	248,450
Net assets released from restrictions	(27,000)
Increase in temporarily restricted net assets	<u>239,550</u>
Changes in Permanently Restricted Net Assets	
Contributions to endowment fund	10,000
Interest income	500
Increase in permanently restricted net assets	<u>10,500</u>
Increase in Net Assets	<u>222,900</u>
Net Assets at Beginning of Year, Restated (Note 8)	<u>169,600</u>
Net Assets at End of Year	<u>\$ 392,500</u>

The accompanying notes are an integral part of these financial statements.

Big Brothers of Any County, Inc.

Statement of Cash Flows

Year Ended December 31, 19X4

Cash Flows From Operating Activities

Increase in net assets	\$ 222,900
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	8,500
Contributions restricted for long-term investment	(258,450)
Increase in contribution receivable	(3,100)
Increase in prepaid expenses	(2,000)
Increase in accounts payable and accrued expenses	7,800
Net cash used by operating activities	<u>(24,350)</u>

Cash Flows From Investing Activities

Purchase of office equipment	<u>(6,500)</u>
------------------------------	----------------

Cash Flows From Financing Activities

Proceeds from contributions restricted for building fund	10,000
Interest and dividends restricted for reinvestment	500
Net cash provided by financing activities	<u>10,500</u>

Net Decrease in Cash and Cash Equivalents

(20,350)

Cash and Cash Equivalents at Beginning of Year

56,800

Cash and Cash Equivalents at End of Year

\$ 36,450

Supplemental data:

 Noncash investing and financing activities:

 Gift of leasehold rights

	\$ 248,450
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The accompanying notes are an integral part of these financial statements.

Big Brothers of Any County, Inc.

Statement of Functional Expenses

Year Ended December 31, 19X4

	<i>Supporting Services</i>			<i>Total</i>
	<i>Program</i>	<i>Management and General</i>	<i>Fund- Raising</i>	
Salaries	\$197,000	\$22,000	\$22,000	\$241,000
Rent	36,500	3,000	3,000	42,500
Insurance	22,000	2,300	2,300	26,600
Payroll taxes	17,200	1,900	1,900	21,000
Outside services	8,000	—	9,000	17,000
Telephone	9,500	1,500	1,500	12,500
Office supplies	8,500	2,000	1,500	12,000
Depreciation	6,000	1,250	1,250	8,500
Lease and maintenance	5,600	900	900	7,400
Dues	7,000	—	—	7,000
Accounting and legal	—	4,500	—	4,500
Postage	6,200	1,100	1,800	9,100
Advertising and recruitment	3,600	—	—	3,600
Mileage	2,000	300	300	2,600
Newsletter	2,500	—	—	2,500
Awards and recognition	2,500	—	—	2,500
Miscellaneous	1,200	600	600	2,400
	<u>\$335,300</u>	<u>\$41,350</u>	<u>\$46,050</u>	<u>\$422,700</u>

The accompanying notes are an integral part of these financial statements.

Big Brothers of Any County, Inc.

Notes to Financial Statements

For the Year Ended December 31, 19X4

Note 1—Nature of Organization and Significant Accounting Policies

Big Brothers of Any County, Inc. (the Organization) is a nonprofit organization dedicated to helping single-parent children by building friendships through a one-on-one matching program with screened adult volunteers.

Support and Expenses

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Donated Services, Goods and Facilities

A substantial number of volunteers have donated approximately 20,000 hours to the Organization's program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. Donated professional services (which include accounting and legal services) are reflected in the statement of activities at their fair value.

Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

Conditional Promises to Give

As of December 31, 19X4, the Organization had received conditional promises to give aggregating \$13,000 that are contingent upon the Organization's raising matching corporate gifts.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days. At year-end and throughout the year, the organization's cash balances were deposited in several banks. Management believes the organization is not exposed to any significant credit risk on cash and cash equivalents.

Investments

Investments are stated at cost which approximates market value.

Vehicles and Office Equipment

Vehicles and office equipment are carried at cost. Depreciation is computed on the straight-line method.

Advertising Costs

Advertising costs are expensed as incurred.

Income Taxes

The Organization is a nonprofit corporation whose revenue is derived from contributions and other fund-raising activities and is not subject to federal or state income taxes.

Note 2—Contributions Receivable

Contributions receivable (in less than one year)	\$ 52,600
Less allowance for uncollectible contributions	(10,500)
	<u>\$ 42,100</u>

Note 3—Leasehold Interest

In December of 19X4, the Organization received a contribution of leasehold rights for 3,000 square feet of office space for a ten-year term. The Organization's monthly rent under a signed lease agreement is \$1 per month. The present value of the fair market rent of \$3,000 per month over the lease term, which was determined using an 8% discount rate, has been recognized as temporarily restricted support in the current year. The amounts are classified as follows:

Future leasehold rights	\$ 248,450
Less current portion—twelve months	(34,500)
Leasehold interest—noncurrent	<u>\$ 213,950</u>

The expected time expirations on restrictions of leasehold interests are:

<u>Year Ending December 31,</u>	<u>Amount</u>
19X5	\$ 34,500
19X6	31,900
19X7	29,500
19X8	27,200
19X9	25,100
Thereafter	100,250
	<u>\$ 248,450</u>

Note 4—Vehicles and Office Equipment

Office equipment	\$ 29,500
Leasehold improvements	12,400
Vehicles	14,300
	<u>56,200</u>
Less accumulated depreciation	(29,800)
	<u>\$ 26,400</u>

Note 5—Investments

The Organization's investments at December 31, 19X4 included approximately \$57,800 of equity securities and \$10,000 of State of Israel Bonds.

Note 6—Lease Commitments

The Organization leased its Any City office facilities under a noncancellable operating lease which expired December 31, 19X4. Rental expense for the year ended December 31, 19X4 including common area expenses was \$42,500.

In December 19X4, the Organization signed a lease agreement for new office facilities for a term of ten years. The Organization may cancel the lease at any time with a 30-day notice. See also note 3.

Note 7—Functional Allocation of Expenses

The costs of providing the various programs, fund-raising and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and fund-raising activities benefited.

Note 8—Change in Accounting Method

During 19X4, the Organization adopted the accounting treatment prescribed by Statement on Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, and SFAS No. 117, *Financial Statements for Not-for-Profit Organizations*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted support depending on the existence and/or nature of any donor restrictions. As permitted by SFAS No. 116, the Organization may retroactively apply the provisions of this new statement by restating the net assets as of December 31, 19X3. The adjustment of \$27,000 made to net assets as of December 31, 19X3, represents contributions not previously reported.

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Net assets, beginning as previously stated	\$89,850	—	\$52,750	\$142,600
Adoption of SFAS No. 116	—	27,000	—	27,000
Net assets, beginning restated	<u>\$89,850</u>	<u>\$27,000</u>	<u>\$52,750</u>	<u>\$169,600</u>

Note 9—Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following specific program services:

Contributions receivable for the Combined Federal Campaign	\$ 18,100
Donated facilities available for future years	248,450
	<u>\$ 266,550</u>

Note 10—Permanently Restricted Assets

Permanently restricted assets of \$57,800 are restricted to investments in perpetuity, the income from which is expendable to support the Combined Federal Campaign.

EXHIBIT 2—SFAS 116 and 117 have not been adopted

.02

Independent Auditor's Report

The Board of Directors
Sample Independent School

We have audited the accompanying balance sheet of Sample Independent School as of June 30, 19X2, and the related statements of support and revenues, expenses, capital additions, and changes in fund balances and changes in financial position for the fiscal year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sample Independent School as of June 30, 19X2, and the results of its operations and changes in its financial position for the fiscal year then ended in conformity with generally accepted accounting principles.

[Signature]

[Date]

The checklists and illustrative financial statements do not include all disclosures and presentation items promulgated.

EXHIBIT 2—SFAS 116 and 117 have not been adopted

SAMPLE INDEPENDENT SCHOOL

.03

Balance Sheet

June 30, 19X2

	<i>Operating Funds</i>	<i>Plant Funds</i>	<i>Endowment Funds</i>	<i>Total All Funds</i>
Assets				
Cash	\$ 87,000	\$ 15,000	\$ 19,000	\$ 121,000
Accounts receivable, less allowance for doubtful receivables of \$3,000	34,000	—	—	34,000
Pledges receivable, less allowance for doubtful pledges of \$10,000	—	75,000	—	75,000
Inventories, at lower of cost (FIFO) or market	7,000	—	—	7,000
Investments (Note 2)	355,000	10,000	100,000	465,000
Land, buildings, equipment, and library books, at cost less accumulated depreciation of \$980,000 (Note 3)	—	2,282,000	—	2,282,000
Other assets	17,000	—	—	17,000
Total assets	\$500,000	\$2,382,000	\$119,000	\$3,001,000
Liabilities and Fund Balances				
Accounts payable and accrued expenses	13,000	—	—	13,000
Deferred amounts (Note 6)				
Unrestricted	86,000	—	—	86,000
Restricted	27,000	100,000	—	127,000
Long-term debt (Note 4)	—	131,000	—	131,000
Total liabilities	126,000	231,000	—	357,000
Fund balances				
Unrestricted				
Designated by the governing board for long-term investment	355,000	—	—	355,000
Undesignated	19,000	—	—	19,000
	374,000	—	—	374,000
Restricted—nonexpendable	—	—	\$119,000	119,000
Net investment in plant	—	2,151,000	—	2,151,000
Total fund balances	374,000	2,151,000	119,000	2,644,000
Total liabilities and fund balances	\$500,000	\$2,382,000	\$119,000	\$3,001,000

The accompanying notes are an integral part of these financial statements.

SAMPLE INDEPENDENT SCHOOL

.04 Statement of Support and Revenues, Expenses, Capital Additions, and Changes in Fund Balances

Year Ended June 30, 19X2

	<i>Operating Funds</i>		<i>Total</i>	<i>Plant Funds</i>	<i>Endowment Funds</i>	<i>Total All Funds</i>
	<i>Unrestricted</i>	<i>Restricted</i>				
Support and Revenues						
Tuition and fees	\$ 910,000	—	\$ 910,000	—	—	\$ 910,000
Contributions	104,000	\$80,500	184,500	—	—	184,500
Endowment and other investment income	23,000	1,500	24,500	—	—	24,500
Net loss on investment transactions	(8,000)	—	(8,000)	—	—	(8,000)
Auxiliary activities	25,000	—	25,000	—	—	25,000
Summer school and other programs	86,000	—	86,000	—	—	86,000
Other sources	26,000	—	26,000	—	—	26,000
Total support and revenues	<u>1,166,000</u>	<u>82,000</u>	<u>1,248,000</u>	<u>—</u>	<u>—</u>	<u>1,248,000</u>
Expenses						
Program services						
Instruction and student activities	798,000	43,000	841,000	\$ 69,000	—	910,000
Auxiliary activities	24,000	—	24,000	—	—	24,000
Summer school and other programs	91,000	—	91,000	7,000	—	98,000
Financial aid	—	37,000	37,000	3,000	—	40,000
Total program services	<u>913,000</u>	<u>80,000</u>	<u>993,000</u>	<u>79,000</u>	<u>—</u>	<u>1,072,000</u>
Supporting services						
General administration	147,000	2,000	149,000	13,000	—	162,000
Fund raising	12,000	—	12,000	1,000	—	13,000
Total supporting services	<u>159,000</u>	<u>2,000</u>	<u>161,000</u>	<u>14,000</u>	<u>—</u>	<u>175,000</u>
Total expenses	<u>1,072,000</u>	<u>82,000</u>	<u>1,154,000</u>	<u>93,000</u>	<u>—</u>	<u>1,247,000</u>
Excess (deficiency) of support and revenues over expenses before capital additions	<u>94,000</u>	<u>—</u>	<u>94,000</u>	<u>(93,000)</u>	<u>—</u>	<u>1,000</u>
Capital additions						
Contributions and bequests	—	—	—	80,000	\$ 30,000	110,000
Investment income	—	—	—	5,000	—	5,000
Net gain on investment transactions	—	—	—	1,000	2,000	3,000
Total capital additions	<u>—</u>	<u>—</u>	<u>—</u>	<u>86,000</u>	<u>32,000</u>	<u>118,000</u>
Excess (deficiency) of support and revenues over expenses after capital additions	<u>94,000</u>	<u>—</u>	<u>94,000</u>	<u>(7,000)</u>	<u>32,000</u>	<u>119,000</u>
Fund balances at beginning of year	387,000	—	387,000	2,047,000	91,000	2,525,000
Transfers						
Equipment acquisitions and principal debt service payments	(111,000)	—	(111,000)	111,000	—	—
Realized gains on endowment funds utilized	4,000	—	4,000	—	(4,000)	—
Fund balances at end of year	<u>\$ 374,000</u>	<u>—</u>	<u>\$ 374,000</u>	<u>\$2,151,000</u>	<u>\$119,000</u>	<u>\$2,644,000</u>

The accompanying notes are an integral part of these financial statements.

SAMPLE INDEPENDENT SCHOOL

.05

Statement of Changes in Financial Position¹

	Year Ended June 30, 19X2			
	<u>Operating Funds</u>	<u>Plant Funds</u>	<u>Endowment Funds</u>	<u>Total All Funds</u>
Resources Provided				
Excess (deficiency) of support and revenues over expenses before capital additions	\$ 94,000	\$ (93,000)	—	\$ 1,000
Capital additions				
Contributions and bequests	—	80,000	\$ 30,000	110,000
Investment income	—	5,000	—	5,000
Net gain on investments	—	1,000	2,000	3,000
Excess (deficiency) of support and revenue over expenses after capital additions	94,000	(7,000)	32,000	119,000
Items not using (providing) resources				
Provision for depreciation	—	93,000	—	93,000
Net (gain) loss on investment transactions	8,000	(1,000)	(2,000)	5,000
Decrease in inventories	2,000	—	—	2,000
Increase in deferred amounts	3,000	75,000	—	78,000
Proceeds from sale of investments	160,000	2,000	47,000	209,000
Total resources provided	<u>267,000</u>	<u>162,000</u>	<u>77,000</u>	<u>506,000</u>
Resources Used				
Purchases of equipment	—	145,000	—	145,000
Reduction of long-term debt	—	52,000	—	52,000
Purchases of investments	210,000	6,000	136,000	352,000
Increase in other assets	1,000	—	—	1,000
Increase in accounts and pledges receivable	3,000	60,000	—	63,000
Decrease in accounts payable and accrued expenses	3,000	—	—	3,000
Total resources used	<u>217,000</u>	<u>263,000</u>	<u>136,000</u>	<u>616,000</u>
Transfers				
Equipment acquisitions and principal debt service payments	(111,000)	111,000	—	—
Realized gains on endowment funds utilized	4,000	—	(4,000)	—
Total transfers	<u>(107,000)</u>	<u>111,000</u>	<u>(4,000)</u>	<u>—</u>
Increase (decrease) in cash	<u>\$ (57,000)</u>	<u>\$ 10,000</u>	<u>\$ (63,000)</u>	<u>\$ (110,000)</u>

The accompanying notes are an integral part of these financial statements.

¹ FSP section 9100.01.

SAMPLE INDEPENDENT SCHOOL

.06

Notes to Financial Statements

Year Ended June 30, 19X2

Note 1—Summary of Significant Accounting Policies

The financial statements of Sample Independent School ("School") have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the school, the accounts of the school are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

The assets, liabilities, and fund balances of the school are reported in three self-balancing fund groups as follows:

- Operating funds, which include unrestricted and restricted resources, represent the portion of expendable funds that is available for support of school operations.
- Plant funds represent resources restricted for plant acquisitions and funds expended for plant.
- Endowment funds represent funds that are subject to restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be used.

Expendable Restricted Resources

Operating and plant funds restricted by the donor, grantor, or other outside party for particular operating purposes or for plant acquisitions are deemed to be earned and reported as revenues of operating funds or as additions to plant funds, respectively, when the school has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as restricted deferred amounts.

Plant Assets and Depreciation

Uses of operating funds for plant acquisitions and principal debt service payments are accounted for as transfers to plant funds. Proceeds from the sale of plant assets, if unrestricted, are transferred to operating fund balances, or, if restricted, to deferred amounts restricted for plant acquisitions. Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

Other Matters

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund that owned the assets. Ordinary income from investments, receivables, and the like is accounted for in the fund owning the assets, except for income derived from investments of endowment funds, which is accounted for, if unrestricted, as revenue of the expendable operating fund or, (a) if restricted by purpose, as deferred revenue of the operating fund until the terms of the restriction have been met and (b) if required to be added to endowment principal, as capital additions.

Legally enforceable pledges less an allowance for uncollectible amounts are recorded as receivables in the year made. Pledges for support of current operations are recorded as operating fund support. Pledges for support of

future operations and plant acquisitions are recorded as deferred amounts in the respective funds to which they apply.

Note 2—Investments

Investments are presented in the financial statements in the aggregate at the lower of cost (amortized, in the case of bonds) or fair market value.

	<u>Cost</u>	<u>Market</u>
Operating funds	\$355,000	\$365,000
Plant funds	10,000	11,000
Endowment funds	100,000	109,000
	<u>\$465,000</u>	<u>\$485,000</u>

Investments are composed of the following:

	<u>Cost</u>	<u>Market</u>
Corporate stocks and bonds	\$318,000	\$320,000
U.S. government obligations	141,000	159,000
Municipal bonds	6,000	6,000
	<u>\$465,000</u>	<u>\$485,000</u>

The following tabulation summarizes the relationship between carrying values and market values of investment assets.

	<u>Carrying Value</u>	<u>Market Value</u>	<u>Excess of Market Over Cost</u>
Balance at end of year	\$465,000	\$485,000	\$20,000
Balance at beginning of year	<u>\$327,000</u>	<u>\$335,000</u>	8,000
Increase in unrealized appreciation			12,000
Realized net loss for year			(5,000)
Total net gain for year			<u>\$ 7,000</u>

The average annual yield exclusive of net gains (losses) was 7% and the annual total return based on market value was 9% for the year ended June 30, 19X2.

Note 3—Plant Assets and Depreciation

A summary of plant assets follows:

Land	\$ 255,000
Buildings	2,552,000
Equipment	340,000
Library books	115,000
	<u>3,262,000</u>
Less accumulated depreciation	980,000
	<u>\$2,282,000</u>

Note 4—Long-Term Debt

A summary of long-term debt follows:

7 1/2% unsecured notes payable to bank due in quarterly installments of \$2,500	\$ 29,000
8 1/2% mortgage payable in semiannual installments of \$3,500 through 20Y6	102,000
	<u>\$131,000</u>

Aggregate maturities of long-term debt are summarized as follows:

19X3	\$ 17,000
19X4	17,000
19X5	16,000
19X6	7,000
19X7	7,000
19X8 and after	67,000
	<u>\$131,000</u>

Note 5—Pension Plans and Other Postretirement Benefit Plans

The School has a defined benefit pension plan covering substantially all of its employees. The benefits are based on years of service and the employee's compensation during the last five years of employment. The School's funding policy is to contribute annually at a rate that is intended to remain a level percentage of compensation for the covered employees (presently 12%). Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

The following table sets forth the plan's funded status and amounts recognized in the School's financial statements at June 30, 19X2:

	<u>June 30, 19X2</u>
Funded status of plan:	
Actuarial present value of benefit obligations:	
Accumulated benefit obligation, including vested benefits of \$250,000	\$ 276,000
Projected benefit obligation for service rendered to date	(347,000)
Assets available for benefits:	
Plan assets at fair value, primarily listed stocks and U.S. government securities	426,000
Plan assets in excess of projected benefit obligation	79,000
Unrecorded net gain from past experience different from that assumed and effects of changes in assumptions	(111,000)
Unrecognized net obligation at January 1, 19X1 being recognized over 15 years	40,000
Prepaid pension cost included in other assets	<u>\$ 8,000</u>
Net pension expense included the following components:	
	<u>19X2</u>
Service cost—benefits earned during the year	\$ 26,000
Interest cost on projected benefit obligation	39,000
Actual return on plan assets	(45,000)
Amortization of unrecognized net obligation	10,000
Net periodic pension expense	<u>\$ 30,000</u>

The weighted-average discount rate and rate of increase in future compensation levels in determining the actuarial present value of the projected benefit obligation were 6% and 5%, respectively. The expected long-term rate of return on assets was 8%.

The School also sponsors a defined contribution postretirement health care plan covering substantially all of its employees. The School's contributions and cost are determined annually as 2% of each covered employee's salary and totalled \$31,000 in 19X2.

Note 6—Changes in Deferred Restricted Amounts

	<u>Operating Funds</u>	<u>Plant Fund</u>
Balances at beginning of year	\$ 24,000	\$ 25,000
Additions		
Contributions and bequests	79,000	158,000
Investment income	6,000	1,000
Net gain on investment transactions	—	2,000
	<u>109,000</u>	<u>186,000</u>
Deductions—funds expended during the year	82,000	86,000
Balances at end of year	<u>\$ 27,000</u>	<u>\$100,000</u>

Note 7—Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of support and revenue, expenses, capital additions, and changes in fund balances. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 8—Commitments

The school has entered into various agreements aggregating approximately \$80,000 for the purchase of equipment to be received subsequent to June 30, 19X2.

Note 9—Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time to develop the School's programs, principally in instruction and student activities. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

Note 10—Allocation of Joint Costs

In 19X2, the School incurred joint costs of \$33,000 for informational materials and activities that included fund-raising appeals. Those costs were allocated as follows:

	<u>19X2</u>
Instruction and student activities	\$26,000
Fund raising	<u>7,000</u>
	<u>\$33,000</u>

Note 11—Income Taxes

The School is a tax-exempt organization under the Internal Revenue Code and similar provisions of the State Code. Therefore, no provision for income taxes has been made.

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